



Calhoun: The NPS Institutional Archive
DSpace Repository

Theses and Dissertations

1. Thesis and Dissertation Collection, all items

1963

Private pension plans.

Went, Joseph John.

George Washington University

<http://hdl.handle.net/10945/12883>

Downloaded from NPS Archive: Calhoun



Calhoun is the Naval Postgraduate School's public access digital repository for research materials and institutional publications created by the NPS community. Calhoun is named for Professor of Mathematics Guy K. Calhoun, NPS's first appointed -- and published -- scholarly author.

Dudley Knox Library / Naval Postgraduate School
411 Dyer Road / 1 University Circle
Monterey, California USA 93943

<http://www.nps.edu/library>

NPS ARCHIVE
1963
WENT, J.

PRIVATE PENSION PLANS

JOSEPH JOHN WENT

DUDLEY KNOX LIBRARY
NAVAL POSTGRADUATE SCHOOL
MONTEREY CA 93943-5101

Library
Naval Postgraduate School
Monterey, California



PRIVATE PENSION PLANS

By

Joseph John Went
Captain, U. S. Marine Corps

Bachelor of Arts

1953

University of Connecticut

A thesis submitted to the Faculty of the School
of Government, Business and International Affairs
The George Washington University, in partial
satisfaction of the requirements for the degree
of Master of Business Administration

June 5, 1963

Thesis directed by

Arlin Rex Johnson, Ph. D.

Professor of Business Administration

Library
U. S. Naval Postgraduate School
Monterey, California

TABLE OF CONTENTS

	Page
LIST OF TABLES	ii
LIST OF ILLUSTRATIONS	iii
INTRODUCTION	1
Chapter	
I. UNDERLYING FORCES	3
The Shift to an Industrial Society	
Progressive Aging of the Population	
Historical Attitudes	
II. THE DEVELOPMENT OF PENSION PLANS	10
Management Alternatives	
The First Pension Plan	
Growth of Pension Plans	
Current Motives	
Political Influences	
III. BASIC FEATURES OF PENSION PLANS	20
Coverage	
Vesting	
Eligibility	
Contributions	
Retirement Age	
Benefits	
Funding	
IV. CURRENT PROBLEMS.	40
Spurious Reasoning	
Issues Identified	
V. CONCLUSIONS AND RECOMMENDATIONS	48
Conclusions	
Recommendations	
BIBLIOGRAPHY	50

STANDARD TO 1945

1945

- 1.
- 2.
- 3.

4.

5.

6.

7.

8.

9.

10.

11.

12.

13.

14.

LIST OF TABLES

Table	Page
1. Population aged 45 and over in millions and as a percentage of total population, 1900-1980.	5
2. Employed persons aged 65 and over as a percentage of the total labor force, 1900-1960	7
3. Percentage of aged 65 and over in the labor force, male and female, 1900-1960	7
4. Private pension and deferred profit-sharing plans: Estimated Coverage, contributions, benefits paid, 1930-1961	13

TABLE OF CONTENTS

Page	Topic
1	1. Introduction and Scope of the Study
2	2. Objectives and Scope of the Study
3	3. Methodology and Scope of the Study
4	4. Results and Scope of the Study
5	5. Conclusions and Scope of the Study
6	6. References and Scope of the Study
7	7. Appendix and Scope of the Study
8	8. Bibliography and Scope of the Study
9	9. Index and Scope of the Study
10	10. Glossary and Scope of the Study
11	11. List of Figures and Scope of the Study
12	12. List of Tables and Scope of the Study

LIST OF ILLUSTRATIONS

Chart	Page
1. Covered workers and beneficiaries under private pension and deferred profit-sharing plans, at end of year, 1950-1961 . .	24

Page 10 of 10

1. General information and background information - 10/10/2010

2. Detailed description of the project - 10/10/2010

INTRODUCTION

Increasing attention is being paid to the problems of economic security as Americans become more keenly aware of the dependency of human beings upon each other. Changing social and political attitudes since the economic depression of the thirties, particularly since World War II, reflect the realization that the self-sufficiency of man is indeed limited. As a result, the greatest efforts toward providing economic security for both the retired and the productive worker have tended toward group action, on a voluntary as well as a governmental basis.

The mounting evidence of group awareness and action includes the development of the following institutions:

1. Private pension plans.
2. The federal old-age, survivors, and disability insurance system.
3. Federal old-age assistance.
4. The railroad retirement system.
5. Pension programs for federal, state, and local government workers.
6. Pension programs for veterans and members of the military services.

The general purpose of all of these efforts is to provide economic security for life for the retired person.

The single concern of this thesis will be private pension plans. It should be pointed out, however, that private pension plans are usually only a part of a broader "employee benefit program" which may include benefits such as vacations and payments for sickness, hospitalization, death, or termination of employment. Pension plans can be provided by formal or informal arrangements. This thesis will be limited to recognized formal arrangements. Furthermore, profit-sharing plans and pensions for the self-employed will be excluded, except

for possible minor references.

Existing private pension plans, whose benefits flow from the employment relationship and are not underwritten or paid for by any form of government, covered over 22.5 million workers at the end of 1961. Estimated total employer contributions to provide this coverage was more than \$4.5 billion.¹ All indications are that there has been an increase in both coverage and total expenditures since the end of 1961.

A basic understanding of an institution of this magnitude is considered essential to sound financial management. Thus, the logical question to be asked is: "What are private pensions?" The primary purpose of this thesis, therefore, is to explore the broad area of private pensions by answering the following sub-questions:

1. What forces gave rise to the development of private pension programs?
2. How did private pension plans develop?
3. What are the basic features of present day pension plans?
4. What are some of the significant problems currently facing management concerning private pensions?

Although a good deal of attention is paid to how pension plans operate, the author has attempted to be more concerned with why based on the assumption that it would provide for a better understanding of private pensions.

The first two chapters, essentially, are an assimilation of thoughts and information collected from some of the more noteworthy literature in the private pension field. The information presented in the remaining chapters is taken mostly from recent studies conducted by various agencies of the federal government and private enterprise.

¹Alfred M. Skolnik, "Growth of Employee-Benefit plans, 1954-1961," Social Security Bulletin, Vol. 26, No. 4, (April, 1963), pp. 5-11.

...the ... of ...
...the ... of ...
...the ... of ...
...the ... of ...
...the ... of ...

...the ... of ...
...the ... of ...
...the ... of ...
...the ... of ...
...the ... of ...

CONCLUSIONS

1. The ... of ...
2. The ... of ...
3. The ... of ...
4. The ... of ...

REFERENCES

...the ... of ...
...the ... of ...
...the ... of ...

...the ... of ...
...the ... of ...
...the ... of ...
...the ... of ...
...the ... of ...

CHAPTER I

UNDERLYING FORCES

The Shift to an Industrial Society

Since the ultimate goal of the pension movement is economic security for life for the retired worker, it would seem that any meaningful discussion of the factors which underlie the private pension movement must begin with a definition of economic security. In a research paper prepared for the third American Assembly, Professor Herrell DeGraff has provided a useful definition of economic security as follows:

. . . continuing and universal access by individuals and families to quantities of goods and services required for at least an acceptable minimum standard of material well-being. This sort of definition has the following points to commend it: (1) it goes directly to the core of the problem; (2) it covers the dynamic concept of what is an acceptable minimum standard of well-being; and, (3) it implicitly recognizes that productive and distributive economic functions must precede the end-point or our quest.²

During the early days of our country, before the development of our modern industrial system, the American family was a reasonably self-sufficient unit capable of providing its own "acceptable minimum standard of material well-being." Except for relatively small sums, cash was not as important as it is in our present market economy. The family performed its own farm work as well as those jobs which are performed by the service functionaries of today. Business life did not differ greatly from farm life in terms of family self-reliance. Most businesses were family owned and family operated. They employed relatively few workers.

In this sort of economy the older person was able to make a continuing contribution to the family enterprise. As the country began to develop, business

²Herrell DeGraff, The Impact of Price-Level Changes on Economic Security ("Economic Security for Americans," final ed. New York: The American Assembly, 1954), p. 79.

SECTION II

The Role of the Industrial Sector

Since the ultimate goal of the economic system is economic security for the people, the industrial sector, in addition to its role in the production of goods and services, must also play a significant role in the development of the economy. This role is twofold: first, to provide the necessary capital and resources for the expansion of the industrial sector, and second, to provide the necessary technical and managerial expertise for the efficient operation of the industrial sector.

... the industrial sector must be able to provide the necessary capital and resources for the expansion of the industrial sector. This is achieved through the accumulation of surplus value, which is then reinvested in the industrial sector. The industrial sector must also be able to provide the necessary technical and managerial expertise for the efficient operation of the industrial sector. This is achieved through the training of a skilled workforce and the adoption of modern management techniques.

During the early years of the industrial revolution, the industrial sector played a crucial role in the development of the economy. It provided the necessary capital and resources for the expansion of the industrial sector, and it provided the necessary technical and managerial expertise for the efficient operation of the industrial sector. However, as the economy developed, the role of the industrial sector became more complex. It now had to provide not only capital and resources, but also a large amount of surplus value, which was then reinvested in the industrial sector.

The industrial sector must be able to provide the necessary capital and resources for the expansion of the industrial sector. This is achieved through the accumulation of surplus value, which is then reinvested in the industrial sector. The industrial sector must also be able to provide the necessary technical and managerial expertise for the efficient operation of the industrial sector. This is achieved through the training of a skilled workforce and the adoption of modern management techniques.

... the industrial sector must be able to provide the necessary capital and resources for the expansion of the industrial sector. This is achieved through the accumulation of surplus value, which is then reinvested in the industrial sector.

... the industrial sector must be able to provide the necessary capital and resources for the expansion of the industrial sector. This is achieved through the accumulation of surplus value, which is then reinvested in the industrial sector. The industrial sector must also be able to provide the necessary technical and managerial expertise for the efficient operation of the industrial sector. This is achieved through the training of a skilled workforce and the adoption of modern management techniques.

expanded. American life became more urban and more dependant upon a money economy. The age of industrialization and specialization was underway and the self-sufficiency of the family began to disappear. The economic value of the older person also began to disappear in the face of industrialization. C. E. Wilson, former president of the General Motors Corporation, aptly described the situation in a talk to the Chicago Executives Club by using the following words:

. . . it is clear to me that the reason for this strong demand for pensions and what is called old age security arises from a change from an agricultural to an industrial society. . . . On a farm, when a man was young, maybe he milked twenty cows a day, when he got old, say sixty-five, maybe he could milk twelve; and when he got to be eighty, if he was still in good health, maybe he just fed the cows, but he still had a part-time job.

In a modern plant, with progressive manufacturing and conveyor assembly lines, a man who can't keep up his part of the work must be taken off that job. He can't do sixty per cent of it as he gets older because that would reduce the whole production down to sixty percent. And if we did that in consideration for the old men, reducing the production for everybody in the group to their level the whole country's production would be slowed down, costs and prices would go up, prosperity would be lost, and all of us, including the old men would not get along very well.³

Progressive Aging of the Population

An equally significant force underlying the private pension movement is the progressive aging of the population.⁴ The increases in both absolute and relative numbers of older persons in the population since the turn of the century have been termed phenomenal.⁵ (See TABLE 1.)

³C.E. Wilson, "Economic Factors of Collective Bargaining," Sourcebook on Labor, ed., Neil W. Chamberlain, (New York: McGraw-Hill Book Co., 1958), pp. 999-1000.

⁴cf., Roy M. Peterson, Vice President and Associate Actuary, The Life Assurance Society of the United States, contends that contrary to the generally accepted concept of an aging population our population is actually "younging." Since the early 1950's, the median age has been decreasing and should continue to do so for at least another decade. Furthermore, improved health of the population will mean a man reaching 65 in 1980 will be as good as a man of 63 today. (People Pensions and Production, an address by Roy M. Peterson at the 11th Annual Southwestern Economics Forum, University of Southwestern Louisiana, Lafayette, Louisiana, March 7, 1962).

⁵Dan M. McGill, Fundamentals of Private Pensions (University of Pennsylvania: Pension Research Council, 1955), p. 1.

TABLE 1.--Population aged 45 and over in millions and as a percentage of total population, 1900-1980

Year	Total All Ages	45 and Over	% of Total	65 and Over	% of Total	Median Age
1900	76.1	13.5	17.7	3.1	4.1	22.9
1910	92.4	17.6	19.0	4.0	4.3	24.1
1920	106.5	22.0	20.7	4.9	4.5	25.3
1930	123.1	28.3	23.0	6.7	5.4	26.4
1940	132.1	35.3	26.7	9.0	6.8	29.0
1950	151.7	43.1	28.5	12.3	8.1	30.2
1960	180.7	52.9	29.3	16.7	9.2	29.6
1970 ^a	214.2	62.2	29.0	20.0	9.3	27.8
1980	259.6	68.8	26.5	24.5	9.4	28.4

^aPopulation estimates are based on 1955-57 level of fertility throughout the projection period to 1980.

Source: U.S., Bureau of the Census, Historical Statistics of the United States, Colonial Times to 1957, (Washington: 1960), Series A 22-33 and U.S., Bureau of the Census, Statistical Abstract of the United States: 1962 (Washington: 1962), Tables No's 3 and 5 and U.S., Bureau of the Census, Current Population Reports, Series P-25.

[illegible]

Since 1900, the general population of the United States has slightly more than doubled. During the same period the number of persons aged 45 or over has quadrupled, while the number of persons aged 65 or over has increased five times. In 1900, there were approximately 3.1 million persons aged 65 or over, whereas by 1960 the number had grown to 16.7 million. The U.S. Bureau of the Census' projection for 1970 is 62.2 million persons aged 45 or over, including 20 million persons aged 65 or over.

There are a number of influences which have contributed to the increase in the absolute and relative number of older persons in the United States. The obvious ones include the general decline in the birth rate prior to World War II, the increase in life expectancy, and the curtailment of immigration. Population estimates projected well into the next century are available, but would serve no purpose here. It should be sufficient to point out that the tremendous increase in older persons, when viewed in terms of decreased family self-sufficiency, has certainly been one of the major forces behind the private pension movement.

As has been suggested, the increase in the proportion of older persons and the decline in the self-sufficiency of the family have been accompanied by a decline in the employment opportunities of the aged. In 1900, persons aged 65 or over constituted 4.1 per cent of the total population and also constituted 4.0 per cent of the total labor force. (See Table 2.) Thirty seven per cent of the population aged 65 and over participated in the labor force. (See Table 3.) By 1960, persons aged 65 and over constituted 9.2 per cent of the total population and 4.4 per cent of the total labor force. But the number of persons aged 65 or over who participated in the labor force had dropped to 20.0 per cent.

Historical Attitudes

It is evident that with increasing numbers of older persons, attended

[illegible]

TABLE 2.--Employed persons aged 65 and over as a percentage of the total labor labor force, 1900-1960

Year	Total Labor Force in millions	Aged 65 and Over in Millions	Aged 65 and Over as a % of total
1900	27.6	1.1	4.0
1920	40.3	1.6	4.0
1930	47.4	2.0	4.2
1940	53.3	2.2	4.1
1950	64.8	3.1	4.9
1960	73.1	3.2	4.4

Source: U.S. Bureau of the Census, Historical Statistics of the United States, Colonial Times to 1957 (Washington: 1960), Series D 13-25 and U.S., Bureau of the Census, Statistical Abstract of the United States: 1962 (Washington: 1962) Table 281.

TABLE 3.--Percentage of aged 65 and over in the labor force, male and female, 1900-1960

Year	Total	Male	Female
1900	37.4	64.9	9.3
1920	32.8	57.1	8.2
1930	31.4	55.5	8.2
1940	22.4	43.3	6.7
1950	26.3	45.0	9.5
1960	20.0	33.6	11.2

Source: U.S., Congress, New Population Facts on Older Americans, 87th Cong. 1st Sess., 1961, Staff Report to the Special Committee on Aging, U.S. Senate, p. 22.

TABLE 1--Comparison of the results of the two methods of determining the critical value of the test statistic, t_{crit} , for the two methods of determining the critical value of the test statistic, t_{crit} .

Value of t_{crit} for the two methods of determining the critical value of the test statistic, t_{crit} .	Value of t_{crit} for the two methods of determining the critical value of the test statistic, t_{crit} .	Value of t_{crit} for the two methods of determining the critical value of the test statistic, t_{crit} .	Value of t_{crit} for the two methods of determining the critical value of the test statistic, t_{crit} .
1.00	1.00	1.00	1.00
1.50	1.50	1.50	1.50
2.00	2.00	2.00	2.00
2.50	2.50	2.50	2.50
3.00	3.00	3.00	3.00
3.50	3.50	3.50	3.50
4.00	4.00	4.00	4.00
4.50	4.50	4.50	4.50
5.00	5.00	5.00	5.00

TABLE 2--Comparison of the results of the two methods of determining the critical value of the test statistic, t_{crit} , for the two methods of determining the critical value of the test statistic, t_{crit} .

TABLE 3--Comparison of the results of the two methods of determining the critical value of the test statistic, t_{crit} , for the two methods of determining the critical value of the test statistic, t_{crit} .

Value of t_{crit} for the two methods of determining the critical value of the test statistic, t_{crit} .	Value of t_{crit} for the two methods of determining the critical value of the test statistic, t_{crit} .	Value of t_{crit} for the two methods of determining the critical value of the test statistic, t_{crit} .	Value of t_{crit} for the two methods of determining the critical value of the test statistic, t_{crit} .
1.00	1.00	1.00	1.00
1.50	1.50	1.50	1.50
2.00	2.00	2.00	2.00
2.50	2.50	2.50	2.50
3.00	3.00	3.00	3.00
3.50	3.50	3.50	3.50
4.00	4.00	4.00	4.00
4.50	4.50	4.50	4.50
5.00	5.00	5.00	5.00

TABLE 4--Comparison of the results of the two methods of determining the critical value of the test statistic, t_{crit} , for the two methods of determining the critical value of the test statistic, t_{crit} .

by declining employment opportunities, economic insecurity became a significant social problem. Since early in the nineteenth century there have been three major schools of thought regarding social insecurity, particularly with respect to the working classes. These schools of thought have been termed the "do nothing school," the "do away with capitalism school," and the "welfare school."⁶

The first--the "do nothing school"--left the individual to solve his own problems as best he could within the framework of the existing economic system. Many of the classical economists, with their emphasis on "natural economic law," provided the greatest support for this school. The social Darwinians also lent support to the idea that the problems of insecurity should be placed on the shoulders of the individual, for they viewed life as a struggle for existence in which only the fittest survive.

The "do away with capitalism school" contended that, inasmuch as the new problems of insecurity stemmed from industrial capitalism, this system should be done away with or drastically changed. There were many groups with varying opinions as to what sort of change was necessary. The best known and most active groups were the Marxian Socialists and the Communists, who held that a benevolent state would end all economic suffering.

The third school--the "welfare school"--held that measures should be taken to improve upon and to eliminate the shortcomings of the private capitalism system which had provided enormous increases in well-being. The concept also varied depending on whether it was viewed by the humanitarian, the economist, the political leader seeking the labor vote, or the rank and file public. It was the feeling of the rank and file, ". . . that in a really advanced civilization there was no room for a segment of the population which lived in fear or actually in

⁶Shepard B. Clough, The New Economic Security ("Economic Security for Americans," final ed., New York: The American Assembly, 1954), pp. 69-72.

want,"⁷ that prevailed in this country. The thought that it was natural to do something to counteract social evils and unnatural to do nothing served as a point of departure in the fight for economic security. Thus, economic security in old age came to be regarded more and more as a social responsibility.

It was in this growing atmosphere of social responsibility that individual employers faced the problem of what to do with the super-annuated employees on their payrolls.

⁷Ibid., p. 72.

CHAPTER II

THE DEVELOPMENT OF PENSION PLANS

Management Alternatives

The employer who has super annuated employees on his payroll is faced with three courses of action:⁸

1. He can "fire" them. But would this sort of action increase operating efficiency? On the contrary, the deleterious effect of such action on the morale of other workers, community relations, and union attitude would far outweigh the advantages of a younger work force.
2. He can keep the older employees on the payroll. This sort of action, however, might be equally as unsatisfactory as the first alternative. It may result in clogged lines of promotion and increased costs due to the declining efficiency of a portion of the older workers. In an economic sense, management needs to think of depreciation reserves for human resources as well as for plant and equipment.
3. The third course of action is to provide a pension plan. This has come to be the accepted method of solving the older worker problem.

The First Pension Plan

The early pension plans were voluntary acts on the part of management. The first formal industrial pension plan in the United States was established by the American Express Company in 1875.⁹

⁸Laurence J. Ackerman and Walter C. McKain, Jr., "Retirement Programs for Industrial Workers," Harvard Business Review, Vol. XXX, No. 4 (July/August 1952), pp. 97-98.

⁹Murray W. Latimer, Industrial Pension Systems (New York: Industrial Relations Counselors, Inc., 1932), Vol. I, p. 21.

THE UNIVERSITY OF MICHIGAN

DEPARTMENT OF AGRICULTURE

The following is a list of the names of the persons who have been admitted to the University of Michigan.

1. *John A. Smith*

2. *John A. Smith*

3. *John A. Smith*

4. *John A. Smith*

5. *John A. Smith*

6. *John A. Smith*

7. *John A. Smith*

8. *John A. Smith*

9. *John A. Smith*

10. *John A. Smith*

11. *John A. Smith*

12. *John A. Smith*

13. *John A. Smith*

14. *John A. Smith*

15. *John A. Smith*

THE UNIVERSITY OF MICHIGAN

The following is a list of the names of the persons who have been admitted to the University of Michigan.

16. *John A. Smith*

17. *John A. Smith*

18. *John A. Smith*

19. *John A. Smith*

The first plan required no contribution by the employee. Employees aged 60 or over, who had served the company continuously for at least 20 years, and who were permanently incapacitated for further performance of duties, could be retired by the executive committee of the board of directors upon the recommendation of the general manager. An annual allowance of one-half of the annual pay received during the last ten years of employment, to a maximum of \$500, was paid out of whatever funds were available.¹⁰ No specific fund was set aside for the payment of these pension benefits. The employees did not have a "right" to retire under the plan, nor did the employer have any legal obligation to continue pension payments throughout the life of an employee whom the directors retired.¹¹ Because of these last two characteristics, the plan hardly resembles the elaborate and comprehensive plans that are often taken for granted today.

Growth of Pension Plans

Since the installation of the first pension plan by the American Express Company, the story of private pensions has been one of evolution and tremendous growth. This growth has not been constant in nature but has fluctuated in reaction to the social and economic forces bearing on it. Prior to 1900, only twelve private pension plans were installed. In the next five years, twice as many more were established. By 1920, 250 more plans were established. During the period 1920 to 1929 progress slowed down; nevertheless, 131 more plans were initiated. By 1929, allowing for plans that were discontinued, a total of 397 plans were in operation covering about 2.7 million workers. Approximately 77 per cent of these plans were non-contributory. The remainder were contributory or combination plans. But the worker who was protected by a company-sponsored pension was still an exception. Not more than one out of seven persons

¹⁰Ibid., pp. 21-22

¹¹Ibid., Vol II, p. 643 ff.

worked in an industry which provided a pension in return for the fulfillment of certain conditions regarding age and length of service.¹²

The growth of private pension plans since 1930 can be measured in several ways including the amount of employer and employee contributions, the amount of benefit outlays, and the number of workers covered. (See Table 4.) Employees covered rose from 2.7 million in 1930, to 4.1 million in 1940. Coverage increased rapidly to 9.8 million by 1950, and 21.6 million in 1960. In other words, coverage almost doubled from 1930 to 1940, and more than doubled for each of the succeeding two decades.

It is pointed out that these figures include data pertaining to deferred profit-sharing plans. A deferred profit-sharing plan is one in which the company's payments into the retirement fund are partly or wholly dependent on annual profits. It is estimated that at the end of 1961, about 2.6 million employees were covered under such plans.

Employer and employee contributions amounted to \$200 million in 1930. Total contributions rose to \$310 million in 1940, \$2.1 billion in 1950, and \$5.3 billion in 1960. Benefits paid out in 1930 amounted to \$90 million, whereas, benefits paid out in 1960 amounted to \$1.9 billion. But in spite of the tremendous increase in coverage since 1930, only 45.3 per cent of the wage and salary workers in private industry were covered by private pension plans in 1961.¹³

Current Motives

Recalling that we have cast management in a climate of social responsibility, the tremendous growth of pension plans during the past two decades will be

¹²Latimer, Industrial Pension Systems, Vol. I, pp. 41-60.

¹³Skolnik, loc. cit., p. 7.

The Board of Directors of the American Medical Association has approved the following resolution:

Resolved, That the American Medical Association does hereby endorse the principles of the National Health Insurance Act, and does hereby urge the passage of such legislation as will insure the establishment of a national health insurance system.

Approved at the meeting of the Board of Directors, held at the Hotel New Yorker, New York City, on the 15th day of June, 1935.

W. A. Rorer, President

W. A. Rorer, Secretary

1. The first step in the process is to identify the problem or issue that needs to be addressed. This involves gathering information and understanding the context of the situation.

TABLE 4.--Private Pension and deferred profit-sharing plans:^a Estimated coverage, contributions, benefits paid, 1930-1961

Year	Worker Coverage (thousands)	Combined Employer and Employee Contributions (millions)	Amount of Benefit Payments (millions)
1930	2,700	200	90
1940	4,100	310	140
1945	6,400	990	220
1950	9,800	2,080	380
1955	15,400	3,740	860
1960	21,600	5,260	1,710
1961	22,600	5,330	1,920

^aIncludes pay-as-you-go, multi-employer, and union-administered plans; those of nonprofit organizations; and railroad plans supplementing the federal railroad retirement program.

Source: U.S., Bureau of the Census, Historical Statistics of the United States, Colonial Times to 1957 (Washington: 1960), Series X483-500 and Alfred M. Skolnik, "Growth of Employee-Benefit Plans, 1954-1961," Social Security Bulletin, Vol. 26, No. 4, (April, 1963), pp. 5-12.

examined in terms of basic motives. In a study published by the National Industrial Conference Board in 1939¹⁴, it was suggested that the following motives underlie the adoption of a pension plan:

1. Reward for long service.
2. Desire to aid the needy employee.
3. Means of improving plant morale.
4. Increased economy of the operation made possible by retirement of older workers.
5. More aggressive work force resulting from promotion of younger employees.
6. Reduction of labor turnover.

In a more recent study¹⁵ the National Industrial Conference Board noted that the motives for setting up a pension plan vary with prevailing economic conditions and listed the following basic motives:

1. To reward long service.
2. Improved esprit de corps.
3. Orderly retirement of workers.
4. Opportunities for advancement.
5. Toward an orderly procedure.
6. To meet a competitive market.
7. Union demands.

Although most of the differences in these two lists are largely semantic, there is one noteworthy addition to the second list--namely union demands. Of course, the considerations that motivate one company may be entirely different from those of another company. The basic motives gleaned from the Conference

¹⁴Company Pension Plans and the Social Security Act, A Report. (New York: National Industrial Conference Board, 1939). pp. 6-8.

¹⁵Pension Plans and their Administration, (New York: National Industrial Conference Board, 1955), pp. 7-8.

...the ... of

... ..

1.
2.
3.
4.

... ..

... ..

... ..

... ..

... ..

... ..

1.
2.
3.
4.
5.
6.
7.

... ..

... ..

¹

²

Board's latter report are considered valid today and will be discussed in more detail.

1. To Reward Long Service.--Rewarding long service is directly tied to the employer's need to fulfill his social obligation to society. It was one of the first motives that played a part in the development of pension plans and remains today as one of the important considerations. Although an employer may not fully recognize the humanitarian aspects of a pension plan, he certainly is aware of the unpleasantness of discharging an employee who has no prospects of further employment.

2. Improved Esprit de Corps.--Employee esprit de corps is an intangible factor, but it is generally recognized that high morale results in more successful conduct of a business than will occur if employees are disgruntled. By showing a genuine interest in the old age problems of his employees, an employer hopes to have his interest repaid by the loyalty and good will of those employees. Removing the worker from the fear of old age insecurity should result in improved esprit de corps.

3. Orderly Retirement of Workers.--A successful pension plan must produce some benefit for the employer as well as the retired worker. Since pension plans are costly, the employer must hope to offset costs through increased efficiency. An orderly withdrawal of older workers will result in the following: (1) removal of older employees, often working at maximum rates, who have passed their peak of efficiency; and, (2) avoidance of production line slow downs involving workers who have passed their peak of performance. The problem of efficiency is present not only in the case of the older industrial worker, but at the executive level as well.

4. Opportunities for Advancement.--Removal of aged employees through

...the

...

1. The

the

the

... ..

... ..

... ..

...

2. The

... ..

... ..

... ..

... ..

... ..

...

3. The

... ..

... ..

... ..

... ..

... ..

... ..

... ..

... ..

4. The

retirement provides opportunities for young and ambitious employees to advance and assume new responsibilities. This results in a constant influx of men with fresh ideas and tends to reduce labor turnover because the younger employees can see an opportunity for advancement.

5. Toward an Orderly Procedure.--An orderly procedure, or the systemization of retirement, is a basic motive for when conditions under which an employee can retire are specifically defined two important factors become known. First, the employee knows what his pension benefits will be and that they are not subject to individual interpretation or management discretion. Secondly, the pension plan can be established on a sound actuarial basis. Management can budget for the financial obligation in advance of retirement.

6. To Meet a Competitive Market.--As pension plans have grown in popularity, companies have had to develop their own plans to attract and hold desirable workers. It is possible that the cost of high personnel turnover could exceed the costs of a pension plan.

7. Union Demands.--As unions have widened their demands for improved fringe benefits in recent years. Pensions have become one of the most important aspects of contract negotiations. The threat of strike by union workers has resulted in the liberalization of pension benefits in various industries. This area will be discussed in greater detail later in this chapter.

Political Influences

The brief discussion of basic motives presented above was preceded by a discussion of underlying forces in Chapter I. Let us look now to some of the explosive political events which have given impetus to the pension movement.

1. The Influence of Social Security.--No discussion of the private pension movement would be adequate without mention of the influence of the Social

Security Act and the amendments thereto. The treatment here, intentionally, will be very brief.

It is firmly believed that private pensions are not a substitute for Social Security, nor can Social Security be substituted for private pensions. At first, many believed that Social Security benefits would relieve employers of the necessity of providing supplemental benefits under private plans. But the Social Security benefits have never been adequate to assure retirement security where a supplemental income was not available.

The net result of the Social Security Act was that it provided a base upon which a company plan could be super-imposed and served as a catalyst.¹⁶

2. Tax Influences.--Tax advantages under an approved program have provided a great deal of stimulation to the development of pension plans. If a plan meets the requirements and regulations of the Internal Revenue Code, an employer may deduct his contributions made to the approved plan as an ordinary and necessary business expense for federal income tax purposes.¹⁷ Also, investment income from funds accumulated under the plan are not taxable until disbursed in the form of benefits. During World War II, wage and salary stabilization controls and high federal income and excess-profits taxes emphasized the tax advantages. Many employers were able to provide attractive pension plans largely out of funds that would otherwise be paid out in taxes. Thus, pension plans became a device for recruiting and keeping new workers in a fiercely competitive market.

¹⁶Laurence J. Ackerman, Fundamentals of Federal Old Age and Survivors Insurance (Philadelphia: American College of Life Underwriters, 1951).

¹⁷For a thorough discussion of applicable tax procedures see U.S. Treasury Department, Internal Revenue Service, Pension Trust Procedures and Guides for Qualification Under Section 401 (a) of the Internal Revenue Code of 1954, Publication No. 377 (Rev.), 49 pp. This pamphlet consists of reprints of Revenue Procedures and Revenue Rulings which set forth the procedures applicable to rulings and determination letters relating to pension plans and which contain guides for qualification of such plans.

11/26/2011 10:11 AM

1. The first group of people who are not in the labor force are those who are not in the labor force because they are not in the labor force.

Pension plans also hold tax advantages from the employee's standpoint. The employee is not taxed on pension contributions made by an employer until he receives them as a retirement income. This assumes that the employer would be paying a higher wage if he were not contributing to a pension plan and that the employee's total income after retirement will be some reduced amount from that which he receives as an active worker. Furthermore, if all of the benefits due an employee arising from employer contributions under a qualified plan are received in one taxable year due to termination of service, the distribution may be treated as a long term capital gain and the maximum tax is 26 per cent of the gain.

Another aspect of the tax consideration is the high personal income tax rates. At one time, high salaried personnel might have been able to provide for their own retirement income out of savings but this has become increasingly difficult. It is even more difficult for the lower income employee who must also concern himself with personal income tax.

3. Influence of Organized Labor.--Prior to the forties there was little effort on the part of organized labor to encourage private pensions. Many labor organizations were indifferent and even openly antagonistic to the pension movement. Some of the craft unions viewed company sponsored pensions as a device to win over the allegiance of the workers from the unions to the employer.¹⁸

As late as 1947, Ford workers voted for increased take-home pay rather than pension benefits. This has been interpreted to mean that when prices are rising, ". . .today's dollars look better to workers than tomorrow's security."¹⁹

The United Mine Workers' concept, championed by John L. Lewis, of a coal

¹⁸McGill, loc. cit., p. 25.

¹⁹Business Week, September 27, 1947, p. 98.

1. The first step in the process of developing a new product is to identify a market need. This is often done through market research, which can be conducted in a number of ways. One common method is to conduct surveys or focus groups with potential customers. Another method is to analyze sales data from existing products to identify gaps in the market. Once a market need has been identified, the next step is to develop a concept for a new product that addresses this need. This is often done through brainstorming sessions with a team of designers and engineers. The concept is then refined through prototyping and testing. Once a final concept has been developed, the next step is to develop a business plan for the new product. This plan should outline the costs of development and production, the pricing strategy, and the marketing and distribution plan. Finally, the product is manufactured and distributed to the market. The success of the new product depends on how well it addresses the market need and how effectively it is marketed and distributed.

1. The first of the two questions is whether the defendant is a person who is a member of the same family as the person who is the victim of the crime. If the answer to this question is "yes", then the defendant is a person who is a member of the same family as the person who is the victim of the crime. If the answer to this question is "no", then the defendant is not a person who is a member of the same family as the person who is the victim of the crime.

welfare fund financed by royalties on each ton of coal mined was one of the first major signs of labor's interest in employer sponsored pensions. Management at first questioned the right of workers to be heard on the matter of pensions which were a voluntary act of the employer.²⁰ But in 1948, the National Labor Relations Board ruled, in the Inland Steel Decision, that pension benefits are subject to collective bargaining. The ruling was later upheld by the Supreme Court. The results of the Inland Steel ruling changed the whole direction of the organized workers without consulting the labor bargaining unit. Since the Inland Steel decision, the interest of organized labor has grown to the point that pensions are now one of the most significant aspects of negotiated labor contracts.

The material presented in this chapter has been chosen to briefly trace the development of the pension movement and to illustrate that the natural and logical choice of an employer faced with a decision concerning super annuated employees is a pension plan. It also illustrates that although the employer's choice is natural and logical it has been less freely made as the pension movement has grown. The succeeding chapter will examine, in general terms, the basic features of private pension plans as they exist today.

²⁰U.S. Congress, Senate, Committee on Labor and Public Welfare, Report on Welfare and Pension Plans Investigation, 84th Cong., 2nd Sess., 1956. p. 167.

CHAPTER III

BASIC FEATURES OF PENSION PLANS

The private pension plan institution that emerged as a result of the forces and conditions previously discussed had no central architectural plan. The response of management to the problems and needs of specific company situations has led to all sorts of improvizations. As a result, the area of characteristic features and the structure of pension plans is tremendous in scope.

Pension plans have been classified in many different ways. Charles L. Dearing, in his study of industrial pensions sponsored by the Brookings Institution, separated pensions into two broad groups: (1) "single company" plans; and, (2) "pooled welfare" plans.²¹ The former embrace those maintained for the exclusive benefit of the employees of one company. The latter include area-wide or industry wide programs covering the workers of a given industry or the employees of a group of participating companies in a particular area. The companies may or may not engage in similar types or business activity.

B. Frank Patton, an executive of the Guaranty Trust Company of New York, has expanded the classification of pension plans into the following four broad groups from the standpoint of sponsorship or origin:

1. Voluntary plans, unilaterally developed and adopted by the employer.
2. Negotiated plans, usually developed by the company in basic form and negotiated with the union.
3. Negotiated industry pattern plans, for the most part, developed or accepted by the large international unions and negotiated first with the major companies in the industry and later, with variations, negotiated with other companies in the industry. . . .
4. Multiple-employer, industry or area-wide plans, usually developed jointly by the union and representatives of the employees in the industry or

²¹Charles L. Dearing, Industrial Pensions (Washington: The Brookings Institution, 1954), p. 66.

THE HISTORY OF THE INDUSTRY

The history of the industry is a story of growth and development. It began in the early years of the century when a few individuals saw the potential of the industry and began to experiment with it. Over the years, the industry has grown steadily, and today it is one of the most important sectors of the economy. The history of the industry is a testament to the power of human ingenuity and the ability of the industry to adapt to changing circumstances.

One of the key factors in the growth of the industry has been the development of new technologies. These technologies have allowed the industry to produce goods more efficiently and at a lower cost. This has led to a significant increase in the demand for the products of the industry, and has helped to drive its growth. Another key factor has been the expansion of the market for the products of the industry. This has been achieved through a combination of factors, including the development of new distribution channels and the expansion of the industry's reach into new markets.

The industry has also faced a number of challenges over the years. One of the most significant challenges has been the competition from other industries. This competition has led to a constant need for innovation and improvement in the industry. Another challenge has been the changing tastes and preferences of consumers. This has led to a need for the industry to stay up-to-date with the latest trends in consumer behavior. Despite these challenges, the industry has managed to overcome them and continue to grow and develop.

The history of the industry is a story of resilience and innovation. It is a story of the industry's ability to adapt to changing circumstances and to overcome challenges. It is a story of the industry's growth and development over the years, and of its continued importance to the economy.

area for whose employees the union bargains.²²

Other approaches at classification would be "funded" and "unfunded" plans, or "insured" and "uninsured" pension plans.

Still another variation is used by the Bankers Trust Company of New York in their 1960 Study of Industrial Retirement Plans which classifies plans as "pattern" or "conventional." The term "pattern" having the same meaning as Patton's "negotiated industry pattern" plan. Bankers Trust further qualifies pattern plans, except for the steel industry and a few company exceptions in other industries, as follows:

. . . the pension provided by pattern plans is a flat dollar amount which may vary with years of service but not with the compensation rate of the employee. These plans are usually noncontributory and have a number of other common characteristics.²³

The Bankers Trust Study, which included an analysis of 230 company plans in effect during the period 1956-59, further states:

The "conventional" plan, as the term is used in this study, refers to a plan which provides benefits that vary both with years of service and with rates of compensation, and which is not one of the pattern type. Practically all of the plans adopted by companies prior to 1950 were of the conventional type.

Of the plans covered by this study, 76% are conventional plans and 24% are pattern plans.²⁴

Patton also suggests that any private pension plan can be viewed from the standpoint of the employee or the employer in terms of common features.²⁵ This is the treatment that will be followed here. This approach has been chosen for the following reasons: (1) a complete inventory of private pension plans and

²²Frank Patton, Private Enterprise Pension Plans: History, Purposes and Problems ("Economic Security for Americans," final ed., New York: The American Assembly, 1954), pp. 112-113.

²³Bankers Trust Company, 1960 Study of Industrial Retirement Plans, (Hereafter referred to in the text as the Bankers Trust Study): (New York: Bankers Trust Company, 1960), p. 7.

²⁴Ibid.

²⁵Patton, loc. cit., p. 113.

the classification of their characteristics is beyond the scope of this thesis; (2) a treatment in terms of basic features will touch, at least to a limited degree, upon almost all types of pension plans; and, (3) the basic provisions of pension plans are the prime determinants of the all-important cost factor.

From the standpoint of the employee or employer, the questions that may be raised concerning the basic features of any pension plan are:

1. Coverage. Are all of the employees of a concern covered by the plan? What sorts of workers are covered by pension plans?
2. Vesting. What "rights" do the employees have regarding pension benefits if they voluntarily terminate their employment?
3. Eligibility. What are the conditions necessary for employee participation in a plan?
4. Contributions. Does the employee or the employer pay the cost of the pension?
5. Retirement age. Is there a mandatory retirement age regardless of employee ability or desire to work? Under what circumstances can an employee retire prior to the "normal" time?
6. Benefits. How is the amount of the pension computed? What relation do the benefits have to Social Security? Are any arrangements made for adjusting retirement income to account for changes in cost of living?
7. Funding. What financial provisions are made to insure that the pension will be paid? At what point in time are funds provided for a worker's retirement?

Coverage

The term coverage as usually used has a somewhat technical connotation. It distinguishes the worker who is currently accruing pension service credits

from the worker who may eventually become a participant after meeting prescribed eligibility requirements. Thus, 100 per cent of the employees of a concern may be eligible for pension benefits but, due to the requirements for eligibility, only 90 per cent may be covered.²⁶ As an example, a pension program could be limited to employees earning over \$4000 per year or who have been employed by the company for at least 5 years. In this case, a worker earning \$3500 or another worker with only four years of service would not be covered. In recent years, however, the trend has been toward extending benefits to all full-time employees. Ninety per cent of the companies analyzed in the Bankers Trust Study had plans covering substantially all employees.²⁷

It was stated earlier that over 22.5 million workers were covered by pension plans at the end of 1961.²⁸ A graphic presentation of the rapid development of this coverage is presented in Chart 1.

This earlier statement might be clarified somewhat at this time. As professor Daniel M. Holland has pointed out, a great deal of variation exists among different industries regarding coverage. He has stated:

Primary metals, transportation equipment, tires and rubber products, petroleum refining and distribution, and public utilities are all industries approaching saturation; construction, trade, service, and printing and publishing are industries which have made little pension progress.²⁹

A survey conducted by the Chamber of Commerce in 1961 tends to support Holland's remarks although the data is not tabulated in such a way as to be conclusive.³⁰ Of course, this is an area of constant change. An example of the

²⁶Dearing, loc. cit., pp. 108-109.

²⁷Bankers Trust Company, loc. cit., p. 7.

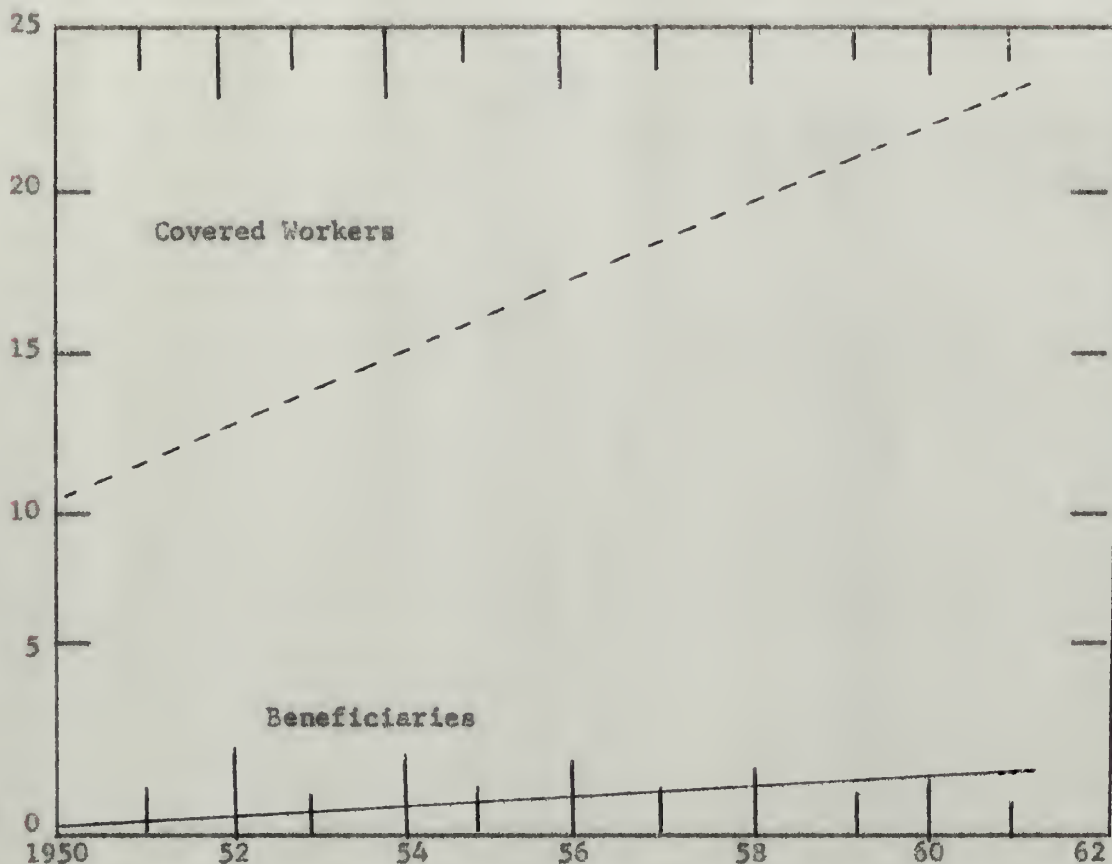
²⁸Supra. p. 2.

²⁹Daniel M. Holland, "What Can We expect From Pensions?" Harvard Business Review, Vol. 37, No. 4, (July/August 1959), pp. 127-128.

³⁰Chamber of Commerce of the U.S., Fringe Benefits 1961, (Washington: Chamber of Commerce, 1962), p. 10 ff.

CHART 1.--Covered workers and beneficiaries under private pension and deferred profit-sharing plans, at end of year, 1950-1961

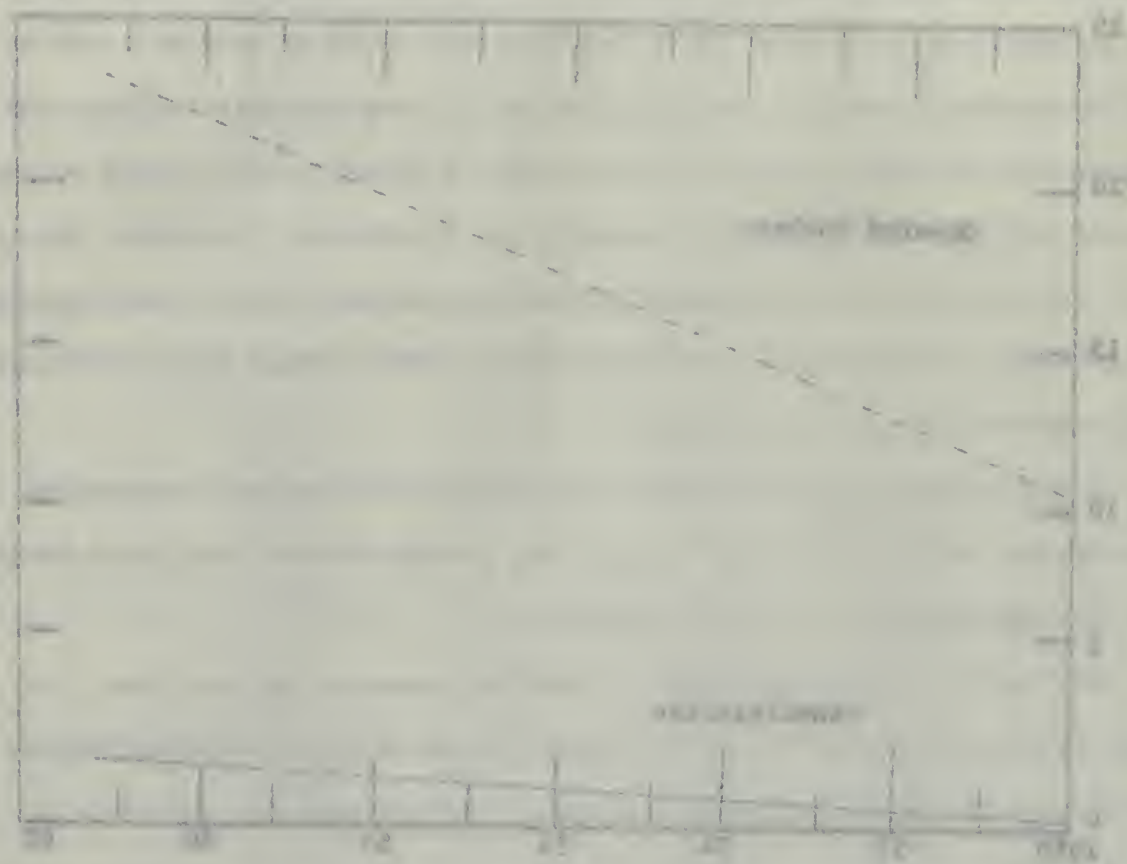
Millions of Persons



Source: Alfred M. Skolnik, "Growth of Employee-Benefit Plans, 1954-1961," Social Security Bulletin, Vo. 26, No. 4 (April 1963), p. 11.

UNITED STATES DEPARTMENT OF AGRICULTURE
 BUREAU OF PLANT INDUSTRY
 WASHINGTON, D. C.

REPORT OF RESEARCH



UNITED STATES DEPARTMENT OF AGRICULTURE
 BUREAU OF PLANT INDUSTRY
 WASHINGTON, D. C.

sort of change that occurs is pointed up by the recent printers strike in New York City. By means of the strike, the printers gained substantial pension benefits under a new two-year contract which was negotiated.³¹

There is a more important consideration than the simple fact of coverage, however. Holland has expressed the problem as follows:

More pertinent is the number of persons who will ultimately receive benefits under a given plan. To move from participation in a plan to the certainty of a benefit on retirement requires, characteristically, the completion of a specified number of years of service, the attainment of a given age, or some combination of the two. In general, these requirements, taken in conjunction with our high degree of labor mobility, will tend to exclude a significant number of workers from obtaining retirement benefits from the plan under which they are currently "covered."³²

Dan M. McGill has estimated that "possibly no more than 40 per cent and certainly no more than fifty per cent of employees presently covered under private pension plans will ever receive a cash benefit from the plan."³³ This is because of the lack of "vested" rights which results in the loss of benefits when an individual does not continue with the same employer until retirement. The author is unaware of any more current estimate than McGill's, but it is suspected that a new estimate would be higher for in recent years there has been a trend toward liberalization of vesting schedules or perhaps including nominal schedules where none existed before.³⁴ The question of vesting will be treated next.

Vesting

Vesting provides an employee who has participated in a pension plan the right to all or a portion of his accrued retirement income, even though he

³¹"Press," Newsweek, Vol. LXI, No. 11, (March 18, 1963), p. 62.

³²Holland, loc. cit., p. 129.

³³Dan M. McGill, (ed.) Pensions: Problems and Trends, (Homewood, Ill., R. D. Irwin, 1962), p. 40.

³⁴Connecticut General Life Insurance Company, Facts and Trends, (Hartford: Connecticut General Life Insurance Company, 1962), p. 17.

10

There is a very important consideration in the fact of copyright:

[illegible]

terminates his employment before becoming eligible to retire. It can be thought of as the "portability" of benefits. Vesting refers to the right of the employee to the contributions made by his employer. The employee's right to contributions that he may have made being assumed.

Some plans provide full vesting immediately, but this is not usual. Vesting can be provided either through an early retirement option or by making pension benefits available to an individual even though he is not employed by the company immediately preceding the date that he would have become eligible for normal retirement.

Most vesting schedules provide for a gradual increase in benefits. Thus, a plan might provide for 25 per cent of full benefits after 5 years of service, 50 per cent after 10, 75 percent after 15, and full benefits after 20 years. Vesting provides an employee with the assurance that a change of jobs will not result in loss of acquired pension benefits and the security that his benefits cannot be cancelled.

All but 18 per cent of the pattern plans and 10 per cent of the conventional plans analyzed in the Bankers Trust Study provided some degree of vesting. As indicated earlier the recent trend has been toward more liberalized vesting. Some plans which had no vesting five years ago now have full vesting. In other cases age limits and service requirements have been reduced.³⁵

Eligibility

Eligibility refers to the requirements that must be met by an employee or the class of employee who may be covered by a plan. The class of employee is important. One of the requirements of a qualified plan to obtain Internal Revenue

³⁵Bankers Trust Company, loc. cit., p. 18.

[illegible]

Company immediately contacted the FBI to report the matter. The FBI advised that the matter was being handled as a matter of internal security and that the company should continue to operate as normal. The company also advised that the matter was being handled as a matter of internal security and that the company should continue to operate as normal.

[illegible]

Service approval is that the plan must define the class of employee to be covered to show that the plan does not discriminate in favor of highly paid or supervisory personnel.

Some plans cover an employee from the first date of employment. Pattern plans generally fall into this category. But the part time or temporary employee is usually an exception even in these situations. Evidently, employers feel no obligation to provide pension benefits for these classes.

In plans that do have eligibility requirements, the data of eligibility is significant because:

. . . it usually marks the time from which a participating employee (1) starts accruing benefits, (b) starts accumulating credited service to be applied in vesting, early retirement and other provisions, and (c) if the plan is contributory, starts making contributions.³⁶

Eligibility requirements can be broken down into the following categories:

1. Type of employment. As mentioned, part-time and seasonal employees, normally, are excluded under this requirement. The Internal Revenue Service Code permits exclusion of persons who do not work more than twenty four hours per week or whose normal employment is for not more than five months in any one calendar year when computing the percentage of coverage under the plan.³⁷
2. Type of pay. A distinction may be made between salaried and hourly wage earners. This distinction may be made when two or more separate plans exist within the same company. It may also be made when an employer first installs a pension plan simply allowing for what can be afforded. Other employers may feel that employees in managerial positions are more deserving of pension benefits.

³⁶Bankers Trust Company, loc. cit., p. 8.

³⁷U.S. Treasury Department, Internal Revenue Service, Loc. cit., p. 33.

3. Amount of pay. Plans may be limited to those employees earning over \$4200 per year. This figure is often chosen because of the lack of Social Security benefits on earnings in excess of this limit. This sort of requirement would be found where employers are attempting to equalize benefits for higher paid employees earning more than the income limitation under OA SDI.
4. Length of service. Plans may require from a minimum of one to five years of service before a worker is eligible to enter the plan. Often the minimum of one year of service is designed to reduce the administrative burden that would be created by employees who do not prove satisfactory, or who choose not to stay with the company. Other service requirements may include continuous employment for a definite period such as 10 years, to be eligible for payment of benefits.
5. Age. Occasionally a minimum age requirement is imposed to exclude those employees who are considered highly transitory. More often, employees who have reached a maximum age are excluded to avoid high initial costs and the need for contributions that may exceed permissible amounts deductible for tax purposes.

The prevalence of eligibility requirements in the 239 conventional plans analyzed in the Bankers Trust Study is as follows:³⁸

No requirements for plan membership.	31 per cent
Age requirement only	7 per cent
Service requirement only	31 per cent
Age and Service requirement.	<u>31 per cent</u>
Total	100 per cent

The general trend, which began in the late fifties, is toward lessening

³⁸Bankers Trust Company, loc. cit., p. 8.

the eligibility requirements.³⁹

Contributions

Historically, the cost of providing pensions has been shared by the employer and the employee. There are modern plans which require the employee to contribute toward the cost of future benefits and others which do not. Contributions, when required, are usually expressed in terms of a percentage of earnings; for example, 4 per cent of the excess over \$4,800 or 1 per cent of each year's compensation under \$4,800 and 2 per cent of the excess over \$4,800. Where flat benefits are provided, the contributions may be a flat amount such as \$40 per year.

Contributory plans normally carry a guarantee for the return of an employee's contributions with interest either in cash at termination of employment, as a survivor's benefit in the event of death, or in the form of retirement income.

Generally, noncontributory plans are founded on the deferred wage concept. This concept holds that pensions are nothing more than deferred wages. It suggests that an employee has a choice of higher wages now or pension benefits after retirement. If the deferred wage concept is completely accepted, then the only approach possible is noncontributory retirement plans. But the presence of contributory plans suggests that there must be other considerations as well. Some of the pros and cons of each point of view are listed below:⁴⁰

1. Points favoring contributory plans:

- a) More adequate pensions can be provided to the employee and the cost is less to the employer.

³⁹Ralph W. Hemminger, "Why The New Trends in Pension Plans?," Management Methods, Vol. 18, No. 4, (July 1960), p. 37.

⁴⁰Jules I. Bogen (ed.), Financial Handbook (New York: The Ronald Press Company, 1962), p. 1017.

the following information:

1. General Information

2. Administrative, the name of the person who has been elected to the

position and the amount. There are no other fees which the employee is

required to pay in order to obtain the right to work for the employer. The

employee must be at least 18 years of age and must be a resident of the

State. The employee must be a citizen of the United States or a

resident of the State for at least one year prior to the date of

employment. The employee must be a resident of the State for at least

one

year. The employee must be a resident of the State for at least

one year. The employee must be a resident of the State for at least

one year. The employee must be a resident of the State for at least

one

year. The employee must be a resident of the State for at least

one year. The employee must be a resident of the State for at least

one year. The employee must be a resident of the State for at least

one year. The employee must be a resident of the State for at least

one year. The employee must be a resident of the State for at least

one year. The employee must be a resident of the State for at least

one year. The employee must be a resident of the State for at least

one year. The employee must be a resident of the State for at least

one year. The employee must be a resident of the State for at least

one year. The employee must be a resident of the State for at least

one year. The employee must be a resident of the State for at least

one year. The employee must be a resident of the State for at least

- b) The employee has a sense of proprietorship.
- c) Thrift is encouraged.
- d) A severance benefit is provided in the event of termination of employment.
- e) The requirement of a personal contribution by the employee toward his future security is socially healthy.

2. Points favoring noncontributory plans:

- a) The contributions of employees seldom finance a large enough fraction of total pension costs.
- b) The net gain to an employer resulting from employee contributions is not the full amount of the contribution, but is the amount of the contribution less the tax advantage available to the employer if he had made it.
- c) Administrative problems arise in those cases where employees do not desire to contribute to a plan.
- d) There is a tendency under contributory plans for more liberal vesting provisions which may absorb a considerable proportion of employer contributions that might otherwise be used to provide more adequate pensions under a noncontributory plan for those who survive in service to old age or disability.
- e) Employee contributions are less effective in providing long-term funds because they must be returned as death benefits or severance payments.
- f) Employees who contribute will demand a voice in the administration of funds.

The recent trend has been toward noncontributory plans. Of all conventional plans analyzed by the Bankers Trust Company for the years 1956-1959,

b) The employer has a duty to provide a safe working environment.

c) There is no duty.

d) A duty exists in the event of a serious risk to the health and safety of the employee.

Answer:

a) The employer has a duty to provide a safe working environment by the employer's board.

All other answers are incorrect.

2. Which of the following is not a principle of the law of tort?

a) The duty of care is a principle of the law of tort.

Answer: b) The duty of care is a principle of the law of tort.

c) The duty of care is a principle of the law of tort.

d) The duty of care is a principle of the law of tort.

e) The duty of care is a principle of the law of tort.

Answer: b) The duty of care is a principle of the law of tort.

c) The duty of care is a principle of the law of tort.

Answer: b) The duty of care is a principle of the law of tort.

d) The duty of care is a principle of the law of tort.

e) The duty of care is a principle of the law of tort.

f) The duty of care is a principle of the law of tort.

g) The duty of care is a principle of the law of tort.

h) The duty of care is a principle of the law of tort.

i) The duty of care is a principle of the law of tort.

j) The duty of care is a principle of the law of tort.

Answer: b) The duty of care is a principle of the law of tort.

k) The duty of care is a principle of the law of tort.

Answer: b) The duty of care is a principle of the law of tort.

The correct answer is b) The duty of care is a principle of the law of tort.

Copyright © 2010 by the publisher. All rights reserved. In the year 1990.

45 per cent were noncontributory.⁴¹ But only 26 per cent of the plans surveyed by the Chamber of Commerce in 1961 were contributory. Contributory plans were found most often in the chemicals and allied products industries, the petroleum industry, public utilities, and the insurance industries.⁴²

Retirement Age

Almost all plans specify an age at which an employee may retire with full benefits under the plan. This may be thought of as the "normal" retirement age. A majority of plans use age 65 as the normal retirement age for both men and women, although normal retirement age might be as early as 55 and as late as 70. The frequent use of age 65 is most likely related to the fact that 65 was the first age at which OASI benefits became available. While there appears to be no correlation between age 65 and peak efficiency in workers this age is frequently a mandatory retirement age as well. Certainly worker efficiency varies with individuals and with the type of task at hand. This fact often leads to debate over normal and mandatory retirement ages. Nevertheless, most industries appear to be determined to maintain this standard.

Many plans, however, provide for early retirement where it appears to be in the best interest of the company as well as the employee that an individual retire at other than the normal age. Such plans might permit retirement as much as ten years early. This provides for the possibility of retirement for disability and it also enables the employer to reduce the work force if such action should be necessary. Some plans permit early retirement at any age. Pensions provided under very early retirement are probably unsatisfactory, however, For example:

. . . a male employee who would have been entitled to \$100 a month pension if he had worked to age 65 and retired after 35 years of service might find

⁴¹Bankers Trust Company, loc. cit., p. 9.

⁴²Chamber of Commerce of the U.S., loc. cit., p. 20.

that his actuarially reduced early retirement benefit would only be \$33.94 per month at age 55, or \$57.45 at age 60. . . . The sharp reduction in income if retirement occurs many years before the normal retirement date is one reason for the common provision restricting early retirement to the 10 year period before the normal retirement date.⁴³

Late retirement or deferred retirement may be permitted with the consent of the employer. To discourage wholesale late retirements permission is usually granted on a yearly basis and the employee, normally, does not continue to accrue retirement credits. Deferred retirement can be beneficial to both the employee and the employer in cases where the employee is capable, has the desire to continue to work, and where his particular talent is needed.

The only trend that appears to have developed with regard to age is a liberalization of early retirement options.⁴⁴ It might be speculated that the lowering of the OASDI retirement age for females to 62 will be followed by a lowering of the normal retirement age for women. No such trend has developed yet.

Benefits

Benefits are the fruit of pension plans. Probably all employers think of the benefits that will be made available under a company plan in conjunction with the benefits that will have accrued under OASDI. The combination of these two sources of income should be sufficient to provide the retired worker with a satisfactory measure of economic security. It is fairly well accepted that if an employee's total income after retirement is at least one half of his net take-home pay just prior to retirement the pension plan is acceptable. If the total income amounts to 70 per cent or more of net take-home pay prior to retirement, the plan is better than average.⁴⁵

⁴³Jules I. Bogen, loc. cit., p. 1005.

⁴⁴Ralph W. Hemminger, loc. cit., p. 39.

⁴⁵Paul C. Cowan, Association Retirement Plans (Washington: Chamber of Commerce of the U.S., 1961), p. 8.

Retirement benefits are usually based on a formula. There are numerous formulae and a plan may use one type alone or two or more in combination. A few of the frequently used formulae will be discussed.

A pension benefit may be a flat amount per employee such as \$100 per month. This is probably the simplest approach and provides a minimum benefit, but it does not reflect salary level or length of service. It tends to favor the lower paid employee.

A pension benefit may be a flat monthly amount for each year of service such as \$2.50 monthly for each year. With this sort of formula, there often is an automatic credit for a minimum number of years of service and a limit as to the total number of years allowed for credit. This kind of formula ignores the level of compensation of an employee and so favors the lower paid workers.

Benefits may be stated as a flat percentage of pay for the last year of employment, or as a percentage of average pay over a certain number of years just preceding retirement. This formula does not reflect longevity of employment. Benefits may also be expressed as a percentage of pay for each year of credited service. The percentage may be applied to each year's compensation, the final compensation, or an average of a certain number of years immediately preceding retirement. This formula recognizes years of service as well as level of pay.

Under contributory plans, pension credits may be expressed as a fraction of the employees contribution. Thus, if an employee contributes three per cent of his salary yearly, his pension credit may be one per cent, or a three to one ratio of contribution to credits.

It can be seen from the short discussion above that the most equitable benefit formula will be some combination type. Almost all formulae fall into what can be called the "fixed benefit" method of providing pensions. Occasionally, no particular formula is used, instead contributions are fixed as a

...the

...the

...the

...the

...the

...the

...the

...the

...the

...the

...the

...the

...the

...the

...the

...the

...the

...the

...the

...the

...the

...the

...the

...the

...the

...the

...the

percentage of employee earnings, and pensions are the amount that can be purchased with the contributions made at each age. The last approach is called the "money-purchase method", and is usually associated with insured plans.⁴⁶

Benefits can be related to Social Security in a number of ways. Pensions can be lower on earnings covered by Social Security or OASDI payments can be a part of the benefit directly, that is, the pension may be expressed as a per cent of the final salary less primary OASDI benefits.⁴⁷ In some cases, workers who do not earn in excess of the amount covered by Social Security receive no private pension at all. Benefits under current plans, however, have a tendency to be independent of social security benefits.

Other types of benefits provided include disability and death benefits. Under many plans, the only disability pensions are the reduced actuarially equivalent age benefits. As pointed out earlier, this sort of pension can be inadequate. Disability benefits are found more frequently now than under earlier plans, however. But in most cases, some period of service is required before a participant becomes eligible.

Death benefits are usually related to some form of group or individual insurance policy. Benefits may be provided to beneficiaries of the employee in the event of his death either prior to, or after retirement. Some plans provide for payment of a monthly income to the widow in the event death occurs prior to retirement. It can be stated that death benefits can generally be provided for less cost outside of the retirement system.

Trends in benefits include: (1) increases in the size of benefits; (2) liberalization of normal retirement benefit formulae; (3) liberalization of early retirement benefit formulae; (4) liberalization of disability benefit formulae;

⁴⁶ Jules I. Bogen, loc. cit., pp. 1022-1023.

⁴⁷ Walter W. Kolodrubetz, "Characteristics of Pension Plans," Monthly Labor Review, August 1958, pp. 847-848.

and, (5) the addition to some plans of optional forms of benefit payments.⁴⁸

The money purchase approach to retirement benefits has declined in popularity since the 1950s.⁴⁹

Of considerable interest are new types of plans which relate benefits to changes in price level. The plans are of the "variable annuity" and "cost-of-living" types. Harry E. Davis has described the first as consisting of two parts:

. . . the benefit formula, which follows the usual pattern and provides a fixed benefit, and a variable benefit formula which adjusts the amount of benefit in accordance with the investment experience of the fund allocated to this portion of the plan.⁵⁰

The basic idea behind the variable annuity method is that funds will be invested in equity securities which should generally keep pace with any inflationary developments.

Under the cost-of-living type plan the benefits payable are adjusted at retirement, and periodically, thereafter, to reflect changes in the consumer price index. Adjustments may also be made to benefits as they are accrued to reflect changes in the price level as the changes occur as well as adjusting income after retirement.

Cost-of-living plans are not very prevalent, probably less than a total of ten exist. They are not expected to become popular "due to the impossibility of computing the ultimate actuarial liability of this type of plan."⁵¹

Funding

Funding means the method of financing or accumulating the money necessary

⁴⁸Harry E. Davis, "Recent Changes in Negotiated Pension Plans," Monthly Labor Review. May 1962, pp. 528-532.

⁴⁹Connecticut General Life Insurance Company, loc. cit., p. 11.

⁵⁰Walter W. Kolodrubetz, loc. cit., p. 848.

⁵¹Letter from Mr. Charles E. Selinske, Assistant Secretary, Bankers Trust Company, New York, March 12, 1963.

and, if the auditor is not satisfied with the results of the audit, he may

the same or other steps as are taken in the case of a default.

in the case of a default.

Of course, the auditor may not be satisfied with the results of the audit.

changes in price level. The auditor may not be satisfied with the results of the audit.

There is a possibility that the auditor may not be satisfied with the results of the audit.

... the auditor may not be satisfied with the results of the audit. The auditor may not be satisfied with the results of the audit.

The auditor may not be satisfied with the results of the audit. The auditor may not be satisfied with the results of the audit.

in some cases, the auditor may not be satisfied with the results of the audit.

conclusion.

It is the duty of the auditor to be satisfied with the results of the audit.

... the auditor may not be satisfied with the results of the audit. The auditor may not be satisfied with the results of the audit.

With this, the auditor may not be satisfied with the results of the audit.

... the auditor may not be satisfied with the results of the audit. The auditor may not be satisfied with the results of the audit.

... the auditor may not be satisfied with the results of the audit. The auditor may not be satisfied with the results of the audit.

... the auditor may not be satisfied with the results of the audit. The auditor may not be satisfied with the results of the audit.

... the auditor may not be satisfied with the results of the audit. The auditor may not be satisfied with the results of the audit.

... the auditor may not be satisfied with the results of the audit. The auditor may not be satisfied with the results of the audit.

... the auditor may not be satisfied with the results of the audit. The auditor may not be satisfied with the results of the audit.

... the auditor may not be satisfied with the results of the audit. The auditor may not be satisfied with the results of the audit.

... the auditor may not be satisfied with the results of the audit. The auditor may not be satisfied with the results of the audit.

... the auditor may not be satisfied with the results of the audit. The auditor may not be satisfied with the results of the audit.

... the auditor may not be satisfied with the results of the audit. The auditor may not be satisfied with the results of the audit.

... the auditor may not be satisfied with the results of the audit. The auditor may not be satisfied with the results of the audit.

... the auditor may not be satisfied with the results of the audit. The auditor may not be satisfied with the results of the audit.

... the auditor may not be satisfied with the results of the audit. The auditor may not be satisfied with the results of the audit.

... the auditor may not be satisfied with the results of the audit. The auditor may not be satisfied with the results of the audit.

to provide retirement benefits. There are a small number of unfunded or "pay-as-you-go" plans but most plans are financed by some formal arrangement.⁵² Funding methods can be classified in two broad groups: (1) self-administered or self-insured plans, and, (2) insured plans.

Self-administered or self-insured plans involve a formal trust instrument. Contributions are made by irrevocable payment to a trustee. The funds in the hands of the trustee are administered in accordance with the trust instrument. When an employee retires, benefits are paid directly from the trust.

Generally, there are two instruments involved, the pension plan itself and the trust instrument. The plan is an agreement between the employee and the employer covering all provisions and requirements. The trust instrument governs the employer and the trustees regarding their duties and powers.

A self-administered trustee plan has broad flexibility. The employer can control the pattern of his payments and the operation of the plan. Administration costs are limited to the fees of the actuary and the trustee. Trustees may be institutional or individuals selected by the employer.

The primary advantage of the trustee plan is that funds can be invested in equity securities to the extent specified in the trust instrument. High yields and market appreciation can significantly reduce the cost of a pension plan. Self-administered plans may, of course, be combined with some form of insurance. Various combinations can result in a very attractive retirement program.

The specific details of operation of self-administered plans vary with each plan because of their individual nature. Because of their flexibility of design and generally lower cost, self-administered plans provided 77 per cent of

⁵²In 1960, only two per cent of covered workers were included under unfunded plans according to a U.S. Department of Labor analysis of plan descriptions contained in a preliminary release entitled "Prevalence and Characteristics of Unfunded Pension Plans," January, 1963. (Mimeographed)

the total worker coverage at the end of 1961.⁵³

Under insured plans, funds are turned over to an insurance company for administration under one of a number of available contracts. Insured arrangements may be classified as (1) individual policy contracts, (2) group permanent contracts, and, (3) group annuity contracts.

1. Individual policy contracts.--Under this arrangement, a trustee is used to own the contracts and to act for the employer. The trustee may be one or more individual persons or a corporate trustee such as a bank or trust company. There are three basic types of individual policy contracts available:

- a) The "retirement income" type usually provides an initial sum of life insurance related to the monthly income. At sometime during the life of the contract the cash value exceeds the initial sum of insurance and then becomes the death benefit.
- b) The "retirement annuity" is less costly than the first type of plan. In this case, the death benefit is a return of the gross premiums paid or the cash value, whichever is greater.
- c) Under the "ordinary life" type, a ratio of life insurance to monthly retirement benefits is established for each participant. This ratio may vary from 50 to 100 times the monthly retirement income. The ordinary life policy is accompanied by a trust fund to which employer contributions are made. Part of the employee's retirement income is provided by the value of the ordinary life policy and the remainder by funds from the trust which are paid to the insurance company at annuity prices established in the ordinary life contract when it took effect, to buy the full pension under the plan. Under this arrangement, the employer

⁵³Skolnik, loc. cit., p. 11.

the total number covered in the year 1911.

Under the new plan, which was adopted by the Congress in 1911,

the following provisions were made: (1) The number of

members of the House of Representatives shall be fixed by law.

(2) The number of members of the Senate shall be fixed by law.

(3) The number of members of the House of Representatives shall be fixed by law.

(4) The number of members of the Senate shall be fixed by law.

(5) The number of members of the House of Representatives shall be fixed by law.

(6) The number of members of the Senate shall be fixed by law.

(7) The number of members of the House of Representatives shall be fixed by law.

(8) The number of members of the Senate shall be fixed by law.

(9) The number of members of the House of Representatives shall be fixed by law.

(10) The number of members of the Senate shall be fixed by law.

(11) The number of members of the House of Representatives shall be fixed by law.

(12) The number of members of the Senate shall be fixed by law.

(13) The number of members of the House of Representatives shall be fixed by law.

(14) The number of members of the Senate shall be fixed by law.

(15) The number of members of the House of Representatives shall be fixed by law.

(16) The number of members of the Senate shall be fixed by law.

(17) The number of members of the House of Representatives shall be fixed by law.

(18) The number of members of the Senate shall be fixed by law.

(19) The number of members of the House of Representatives shall be fixed by law.

(20) The number of members of the Senate shall be fixed by law.

(21) The number of members of the House of Representatives shall be fixed by law.

(22) The number of members of the Senate shall be fixed by law.

(23) The number of members of the House of Representatives shall be fixed by law.

transfers the liability for annuity payments to the insurance company at retirement, but during the period prior to retirement the trustees invest the funds.

2. Group permanent contracts.--This arrangement is an outgrowth of the individual policy contract but differs in that it utilizes a master contract issued to the employer with the employees getting individual certificates. Benefits are similar to those under individual policy contracts. However, one significant difference is that in most states a trustee is not required when the insurer receives all the deposits to the plan.

3. Group annuity contracts.--Group annuity contracts may be of the "conventional" type or the "deposit administration" type. Both types employ a master contract. Normally, a trustee is not used with a group annuity.

- a) Under the conventional form, contributions are used each year to purchase annuities deferred to normal retirement date on a single premium basis for specific amounts of annuity benefits. All liability for benefit payments is assumed by the insurance company as long as the required purchase payments are made. The single premium rates are usually guaranteed for five years and are then revised annually.
- b) The deposit administration type is a fairly recent development but now represents the largest single type of insured funded method. Since 1958 six out of every ten insured plans have been of this type.⁵⁴ Under this arrangement contributions are accumulated by the insurance company in a pooled fund against which the insurer charges its operational costs on a pro-rata basis and to which the insurer credits interest earned. When

⁵⁴Connecticut General Life Insurance Company. loc.cit., p. 7.

an employee retires, funds are applied to purchase a premium which will provide his annuity. The insurer does not guarantee that funds will be sufficient to provide the required benefits as retirements occur. The employer assumes the full responsibility for actuarial assumptions concerning the number of participants who will accrue benefits. Requirements for deposits are backed by the employer and computed by the insurance company.

The insurance company handles all investments and administration.

Having considered some of the factors that are basic to all pension plans, the next chapter will be devoted to some of the problems currently facing management.

CHAPTER IV

CURRENT PROBLEMS

About thirty years ago, Murray W. Latimer, the recognized industrial pension expert of the day, concluded that it was improbable "that the voluntary private pension system will ever offer protection to more than a fraction of all who work for wages and salaries in the United States. . ."⁵⁵ But, as we have seen, this prediction did not hold true for more than a decade. When viewed in retrospect, it is not surprising.

The purpose of introducing Latimer's prediction here is to caution the reader not to accept the material presented thus far without critical analysis. This material tends to give the appearance that the pension scene is clearly focused, and is painted in sharply contrasting black and white. The truth of the matter is that the issues involved in any consideration of private pension plans are rather hazy and gray.

Spurious Reasoning?

Certainly it is not the intention of the author to discredit his own efforts at documentation and interpretation of the private pension movement. The material presented thus far is considered to be a valid cross section of current thoughts and reasoning. But is not some of this reasoning spurious? Witness the following illustrations.

Almost without exception, current writings on private pension plans state that one of the motives for establishing a plan is "to reduce labor turnover."⁵⁶ Yet, out of a sample of fifty eight new pension plans instituted during the

⁵⁵Latimer, loc. cit., II, p. 945.

⁵⁶For example, see Paul C. Cowan, loc. cit., p. 4.

CHAPTER IV

THEORY OF THE

About thirty years ago, Henry D. Taylor, the distinguished industrial
engineer of the day, concluded that it was impossible "that the voluntary
private business system will ever attain perfection in such a direction as
all the world has eyes and ears to the United States... But, as we have
seen, this prediction did not hold true for more than a decade. When viewed in
retrospect, it is very interesting.

The progress of industry's development here in the United States
cannot be traced to the extent of industry's development here in the United States.
This industry/industry is not the same as the industry seen in the United
States, and it is not the same as the industry seen in the United States. The truth of
the matter is that the industry involved in the production of various goods
has not yet been seen and seen.

THEORY OF THE

Consequently it is not the intention of the author to discuss the
effects of the industry and the industry of the private business system.
The industry involved here is not the same as the industry seen in the United
States, and it is not the same as the industry seen in the United States.
Consequently the industry involved here is not the same as the industry seen in the United
States, and it is not the same as the industry seen in the United States.

About thirty years ago, Henry D. Taylor, the distinguished industrial
engineer of the day, concluded that it was impossible "that the voluntary
private business system will ever attain perfection in such a direction as
all the world has eyes and ears to the United States... But, as we have
seen, this prediction did not hold true for more than a decade. When viewed in
retrospect, it is very interesting.

THEORY OF THE

THEORY OF THE

period 1956-1959, all but six had some provisions for vesting.⁵⁷ It simply does not seem logical that employers would intentionally provide pension features that enable mobility in order to encourage stability. Of course, it is entirely possible that job stability is encouraged in spite of vesting provisions.

Employers and employees alike have expressed concern over pension benefits keeping pace with any rise in cost-of-living. However, cost-of-living pension plans have not gained widespread acceptance even though they have been present for at least nine years.⁵⁸ The apparent reason for this lack of acceptance is that employers fear that they may not care to meet the future costs of such plans.⁵⁹ But is there any evidence that such plans would be more costly than conventional plans? G. Warfield Hobbs, former vice president of the First National City Bank of New York, has stated:

Strangely enough, some rather exhaustive studies indicate that the company cost for a plan geared to cost-of-living adjustments, if commenced in the year 1900, would not have been out of line with that of a conventional plan commenced in 1900. The reason is this: The cost-of-living plan would have in the beginning required an annual contribution higher than that for the conventional plan; but, over the half-century in question, the conventional plan would have been revised at least three or four or more times, and each revision would have added a large new cost, so that the two costs would literally have come out fairly even over the period.⁶⁰

As a matter of practical experience, in 1958 the United Aircraft Corporation established a plan supplementary to its basic plan for the following purposes:

. . .providing additional annuities to offset, within specified limitations

⁵⁷Bankers Trust Company, loc. cit., pp. 74-103.

⁵⁸National Airlines, Your Cost of Living Pension Plan, (Miami: National Airlines, 1957), p. 36. National Airlines makes claim to the first cost-of-living plan.

⁵⁹Supra, p. 36.

⁶⁰G. Warfield Hobbs, A Banker's Commentary ("Special Report: Controlling Employee Benefit and Pension Costs," No. 23; New York: American Management Association, 1957), p. 66.

diminutions in the purchasing power of the annuities purchased under the basic plan resulting from decrease in the value of the dollar.⁶¹

To date, the retirement-income adjustments made under the above program "have been made within the maximum cost limitations..."⁶² set by the company. United Aircraft states that its severest problem involved in the supplementary plan is "the tremendous number of computations required. . . ." however, they have "overcome this problem via extensive use of modern data processing facilities."⁶³ The following question may now be raised: "Is the lack of popularity of cost-of-living plans a demonstration that employers prefer certainty to uncertainty, or that there has been less than a thorough search for the true issues at stake?"

Issues Identified

The preceding two illustrations should indicate that there is not universal agreement concerning the basic problems of private pension plans. Also, the illustrations should have demonstrated that caution must be exercised when one studies the enormous volume of information regarding pensions that is currently appearing in business and government literature. The final section of this chapter will be utilized to identify what the author considers as the most significant problems of today and the near future. It is emphasized that the reader will find no answer in this thesis to the problems identified. However, the author will attempt to point out why each problem is considered significant and will suggest a "management attitude" which might prove helpful in the search for satisfactory answers.

Thus far this thesis has been oriented toward a micro-view of private

⁶¹Letter from Mr. E. A. Leroux, Asst to the Treasurer, United Aircraft Corporation, East Hartford 8, Connecticut, March 29, 1963.

⁶²Ibid.

⁶³Ibid.

pension plans. The problems that will be identified here will also reflect that orientation. This is not meant to deny the fact that major problems of national, and, perhaps, international scope are also involved, for example: (1) that private pensions may be restricting economic freedom⁶⁴ by acting as a restraining influence on labor mobility and by concentrating economic power as the result of acquisitions of equity securities by pension funds; or, (2) that private pension plans may be creating labor obsolescence by increasing the industrial rate of growth.⁶⁵

The problems which the employer and employees must face on a day-to-day basis concern the basic features of pension plans. The significant problems can be identified as (1) vesting versus non-vesting, (2) compulsory-automatic versus optional retirement, (3) determining the degree of funding necessary to assure the security of a pension plan, (4) contributory versus non-contributory funding, and (5) determining an equitable benefit formula and its relation to the Social Security System.

1. Vesting versus non-vesting.--If the primary purpose of a pension plan is to retire long service, over-aged employees, and hold in service the younger employees, a powerful argument may be made against early vesting. On the other hand, if pensions are in fact deferred compensation, employees have a strong argument for early vesting. It was pointed out earlier that there has been a recent trend toward more liberal vesting. This trend does not mean that the problem is solved, however. It may be the result of union or competitive pressure. Possibly a solution to the problem lies in an answer to the underlying

⁶⁴See Robert Tilove, Pension Funds and Economic Freedom, (New York: The Fund for the Republic, Inc., 1959), 91 pp., for an interesting introductory analysis and appraisal of the facts regarding private pension plans and economic freedom.

⁶⁵Henry I. Kester and Harold A. Wolf, "Pension Funds: Creator of Labor Obsolescence"? Business Horizons, Vol. 3, No. 3, (Fall 1960), pp. 70-76.

question, at what worker age do vesting provisions encourage labor stability? It is suggested that if management were to adopt the attitude that the mobile worker will eventually have about the same economic needs in old age as the stable worker, some breakthrough might occur in this problem area. The high costs of early vesting demand that management adopt a rational approach soon.

2. Compulsory-automatic versus optional retirement.--It has been mentioned that age 65 is usually regarded as the normal retirement age, and under many plans retirement at 65 is automatic or compulsory. Many excellent studies⁶⁶ have shown, however, that older workers when taken as a group, compared to their younger co-workers, (1) perform as well or better, (2) have a strikingly better attendance record, (3) less frequently quit jobs, (4) are superior in their attitude toward their work, (5) have a significantly better safety record, (6) are more valuable because of experience, and (7) generally, have superior judgement.

In view of the findings of the NAM is it not foolishness to retire all employees simply because they have reached a certain age? Is this not economically wasteful and socially harmful?

Although the recent trend is toward a liberalization of retirement age, most companies are still saddled with the paradox of needing a particular type of individual, having that individual on the payroll but yet arbitrarily retiring him at a "normal age." It would appear that management might be able to move more rapidly toward a solution to this problem by adopting the attitude that the man "who can do the job in question" will be the man on the payroll.

3. Determining the degree of funding necessary to assure the security of a pension plan.--In the earlier discussion, funding was described as the

⁶⁶For example see National Association of Manufacturers, Report on Employment of Mature Workers (New York: NAM, September 1960). pp. 20-30.

method of financing or accumulating the money necessary to provide retirement benefits. Some authors would disagree with such a presentation. Ackerman calls financing "the investment vehicle which is to be used either to purchase or to provide the benefits of the plan for each employee" and funding "a method of amortizing the liabilities created by the plan."⁶⁷

Although Ackerman's distinction is precise, the author does not believe that the issues have been obscured by the method of presentation that was chosen. The problems faced by management are clear. How should the money necessary to meet pension obligations be accumulated, and once it is accumulated how should it be invested to assure its safety and growth? The significance of this question is also clear. It involves the uncertainty of whether an employer will be able to continue to meet obligations for pension costs and the uncertainties of the investment market in general. And, of course, basic to the matter of funding is accomplishment at the lowest possible cost.

With regard to funding, it is difficult to suggest a management attitude that might be followed. It is simply beyond the author's scope. It would seem, however, that management must be realistic in the matter, particularly, with respect to what is almost the certainty that pension costs will not decrease and that the number of retired workers will increase. Furthermore, if private enterprise does not meet the economic security needs of its retired workers the only other answer is governmental action beyond the present Social Security coverage. If governmental action is invited, private enterprise must be willing to live with any imposition upon its economic freedom that may occur.

4. Contributory versus non-contributory funding.--No good reason has been advanced for regarding employer pension costs as basically different from direct payroll costs. Yet the requirement for a determination exists because of

⁶⁷

Ackerman, "Retirement Programs for Industrial Workers," loc. cit. p. 101.

1. The first step in the process of identifying a problem is to define the problem. This involves identifying the symptoms of the problem and determining the scope of the problem. Once the problem has been defined, the next step is to identify the causes of the problem. This involves identifying the factors that are contributing to the problem and determining the underlying causes. Once the causes have been identified, the next step is to develop a plan of action. This involves identifying the steps that need to be taken to solve the problem and determining the resources that will be needed to implement the plan. Finally, the last step in the process is to implement the plan and monitor the results. This involves putting the plan into action and tracking the progress of the solution. Once the problem has been solved, the final step is to evaluate the results and determine if the solution was effective. This involves comparing the results of the solution to the original problem and determining if the problem has been solved.

[illegible]

the number of contributory systems that are currently operating. Twenty-four of the 58⁶⁸ new plans analyzed in the Bankers Trust Study required employee contributions although the majority of existing pensions do not.⁶⁹

Under the present tax laws it would seem that the only logical attitude would be to adopt the least costly approach. If legislative action were to give the employee the same tax advantage as the employer there would then be reason for debating the issue of contributory versus non-contributory funding.

5. Determining an equitable benefit formula and its relation to the Social Security System.--It is becoming fairly well accepted that OASDI benefits are a base upon which to build a private pension plan. The author believes that this is the only realistic approach. It is also fairly well accepted that benefits should reflect an individual's previous pay level. It is obvious that an individual employee's need for retirement income must depend to some extent upon the income scale he has enjoyed in the past and upon the habits and commitments based upon that scale.

The practice of relating the formula to length of service is perhaps less easy to justify on grounds of need, but on financial grounds the justification is clear. It is impractical, if not impossible, to make financial provisions for a full scale of benefits over a short period of service. If short service employees were to receive full benefits, it would have to be at the expense of long-range employees. Such a system would make it virtually impossible for older workers to obtain employment in companies with pension plans.

The most serious problem regarding the benefit formula, however, is how to keep pace with the rising cost of living. The significance of this problem is obvious. It is suggested that in this area management adopt an attitude of realism. All indications are that, except for a few far-sighted concerns,

⁶⁸Bankers Trust Company, loc. cit., pp. 74-103.

⁶⁹Supra., p. 31

the same. It is important to note that the only way to
the 1970s and also known as the "Great
the only way to the 1970s and also known as the "Great

the only way to the 1970s and also known as the "Great
the only way to the 1970s and also known as the "Great
the only way to the 1970s and also known as the "Great

the only way to the 1970s and also known as the "Great
the only way to the 1970s and also known as the "Great
the only way to the 1970s and also known as the "Great
the only way to the 1970s and also known as the "Great
the only way to the 1970s and also known as the "Great

the only way to the 1970s and also known as the "Great
the only way to the 1970s and also known as the "Great
the only way to the 1970s and also known as the "Great
the only way to the 1970s and also known as the "Great
the only way to the 1970s and also known as the "Great

the only way to the 1970s and also known as the "Great
the only way to the 1970s and also known as the "Great
the only way to the 1970s and also known as the "Great
the only way to the 1970s and also known as the "Great
the only way to the 1970s and also known as the "Great

...the ... of ... in ... of ...

...the ... of ... in ... of ...

...the ... of ... in ... of ...

...the ... of ... in ... of ...

...the ... of ... in ... of ...

...the ... of ... in ... of ...

...the ... of ... in ... of ...

...the ... of ... in ... of ...

...the ... of ... in ... of ...

...the ... of ... in ... of ...

...the ... of ... in ... of ...

...the ... of ... in ... of ...

...the ... of ... in ... of ...

...the ... of ... in ... of ...

...the ... of ... in ... of ...

...the ... of ... in ... of ...

...the ... of ... in ... of ...

...the ... of ... in ... of ...

...the ... of ... in ... of ...

...the ... of ... in ... of ...

...the ... of ... in ... of ...

...the ... of ... in ... of ...

...the ... of ... in ... of ...

...the ... of ... in ... of ...

...the ... of ... in ... of ...

...the ... of ... in ... of ...

...the ... of ... in ... of ...

...the ... of ... in ... of ...

CHAPTER V

CONCLUSIONS AND RECOMMENDATIONS

Conclusions

In summary, the following ideas may be enumerated:

1. That powerful underlying forces contributed to the development of pension plans by private enterprise. These forces included the shift from an agricultural to an industrial society during the industrial revolution, the progressive aging of our American population, and the prevailing thought that economic security in old age is a social responsibility of free enterprise as well as government.
2. That pension plans were the logical alternative to the problem of superannuated workers on an employer's payroll. That the number of pension plans grew at a tremendous rate not only because of the motives of employers but in response to certain political influences as well.
3. That there are many varieties of pension plans but that they all have certain basic features. The one guiding principle of these features is that the end product pension plan must provide economic security for the retired worker for life.
4. That although a rapid advance has been made in the provision of economic security for retired workers, private enterprise is just beginning to meet the demands of labor and society and the needs of the retired worker. These demands and needs undoubtedly will intensify. As a result, employers face numerous problems regarding pension plans. These problems might best be met if managers adopt an attitude that can best be described as realism.

CONSTITUTION AND BILL OF RIGHTS

Introduction

It is generally, the following ideas will be presented:

1. That the Constitution is the supreme law of the land and that it is the duty of every citizen to know its contents and to obey its provisions. It is the duty of every citizen to know its contents and to obey its provisions. It is the duty of every citizen to know its contents and to obey its provisions.
2. That the Constitution is the basis of the government and that it is the duty of every citizen to know its contents and to obey its provisions. It is the duty of every citizen to know its contents and to obey its provisions. It is the duty of every citizen to know its contents and to obey its provisions.
3. That the Constitution is the basis of the government and that it is the duty of every citizen to know its contents and to obey its provisions. It is the duty of every citizen to know its contents and to obey its provisions. It is the duty of every citizen to know its contents and to obey its provisions.
4. That the Constitution is the basis of the government and that it is the duty of every citizen to know its contents and to obey its provisions. It is the duty of every citizen to know its contents and to obey its provisions. It is the duty of every citizen to know its contents and to obey its provisions.
5. That the Constitution is the basis of the government and that it is the duty of every citizen to know its contents and to obey its provisions. It is the duty of every citizen to know its contents and to obey its provisions. It is the duty of every citizen to know its contents and to obey its provisions.
6. That the Constitution is the basis of the government and that it is the duty of every citizen to know its contents and to obey its provisions. It is the duty of every citizen to know its contents and to obey its provisions. It is the duty of every citizen to know its contents and to obey its provisions.
7. That the Constitution is the basis of the government and that it is the duty of every citizen to know its contents and to obey its provisions. It is the duty of every citizen to know its contents and to obey its provisions. It is the duty of every citizen to know its contents and to obey its provisions.
8. That the Constitution is the basis of the government and that it is the duty of every citizen to know its contents and to obey its provisions. It is the duty of every citizen to know its contents and to obey its provisions. It is the duty of every citizen to know its contents and to obey its provisions.
9. That the Constitution is the basis of the government and that it is the duty of every citizen to know its contents and to obey its provisions. It is the duty of every citizen to know its contents and to obey its provisions. It is the duty of every citizen to know its contents and to obey its provisions.
10. That the Constitution is the basis of the government and that it is the duty of every citizen to know its contents and to obey its provisions. It is the duty of every citizen to know its contents and to obey its provisions. It is the duty of every citizen to know its contents and to obey its provisions.

Recommendations

The review of a large volume of printed matter in the preparation of this thesis has led the author to believe that a great deal of conflicting data, concepts, and "facts" flow forth daily from a variety of sources regarding private pension plans. As an outgrowth of the vagaries encountered in the preparation of this thesis, it is firmly believed that practical research activities in the area of private pensions should be encouraged. This might best be carried out by grants from private foundations. The author wholeheartedly endorses the following suggestion made by Mr. R. A. Hohaus, Senior Vice-President and Chief Actuary, Metropolitan Life Insurance Company.

There is . . . a need for cooperative well-balanced analyses and appraisals under the coordinated guidance of leaders in different fields to try to identify and agree on the strong points of our private plan complex and the weaknesses, if any, which should be corrected so it can serve the best interests of employers, employees, and our free society.

Since private plans, as well as government plans, operate in a dynamic economy and society, a strong case may be argued that such analysis and appraisal be made a regular practice at periodic intervals, so that they will continue to carry out effectively their purposes and objectives.

. . . . A major, but by no means the only, reason for such studies is the function of private plans in helping to generate sound economic growth through capital investment.⁷⁰

⁷⁰Hohaus, R. A., Senior Vice-President and Chief Actuary, Metropolitan Life Insurance Company. "Retirement Income Protection: Private Responsibility? Public Responsibility?" an address before the 43rd Mid-Winter Trust Conference, American Bankers Association, New York, February 6, 1962.

BIBLIOGRAPHY

Public Documents

- U.S. Bureau of the Census. Current Population Reports. Series P-25, No. 251, July 6, 1962.
- _____. Historical Statistics of the United States, Colonial Times to 1957. 1960.
- _____. Statistical Abstract of the United States: 1962. 1962.
- U.S. Department of Labor. Pension Plans Under Collective Bargaining: Normal Retirement, Early and Disability Retirement, Fall 1959. Bulletin No. 1284, February, 1961.
- _____. Pension Plans Under Collective Bargaining: Part I--Vesting Provisions and Requirements for Early Retirement; Part II--Involuntary Retirement Provisions, Late 1958. Bulletin No. 1259, July, 1959.
- _____. Pension Plans Under Collective Bargaining: Benefits for Survivors, Winter 1961-62. Bulletin No. 1334, August, 1962.
- _____. Multiemployer Pension Plans Under Collective Bargaining, Spring, 1960. Bulletin No. 1326, June, 1962.
- _____. Digest of Profit-Sharing, Savings, and Stock Purchase Plans, Winter 1961-62. Bulletin No. 1325, May, 1962.
- U.S. Senate, Committee on Labor and Public Welfare. Final Report, Welfare and Pension Plans Investigation. Report No. 1734, 84th Cong., 2nd Sess., April 16, 1956.
- U.S. Senate, Committee on Finance. Hearings before the Committee on Finance. 86th Cong., 2nd Sess., May 11-12, 1960.
- U.S. Senate, Special Committee on Aging. New Population Facts on Older Americans, 1960. Staff Report, 87th Cong., 1st Sess., 1961.
- U.S. Senate, Committee on Armed Services. A Study of the Military Retired Pay System and Certain Related Subjects. A Report by the Study Committee of the University of Michigan, 87th Cong., 1st Sess., 1961.
- U.S. Senate, Special Committee on Aging. Hearings before the Subcommittee on Retirement Income. 87th Cong., 1st Sess., July 12-13, 1961.
- U.S. Treasury Department. Pension Trust Procedures and Guides for Qualification Under Section 401(a) of the Internal Revenue Code of 1954. Publication No. 377, February, 1959.

1. Introduction

2. Background

2.1. History of the Council. The Council was established in 1945, following the end of the Second World War. It was created to promote international cooperation and peace.

2.2. The Council's role in the United Nations. The Council is one of the six principal organs of the United Nations, and it is responsible for maintaining international peace and security.

2.3. The Council's composition. The Council is composed of 15 members, five of which are permanent and 10 are non-permanent.

2.4. The Council's powers. The Council has the authority to recommend measures to the General Assembly for the maintenance of international peace and security, and it can also take action in the event of a threat to the peace.

2.5. The Council's procedures. The Council operates on a consensus basis, and it has a variety of procedures for the consideration and adoption of resolutions.

2.6. The Council's impact. The Council has played a significant role in the maintenance of international peace and security, and it has been instrumental in the resolution of many international disputes.

2.7. The Council's future. The Council continues to be an important part of the United Nations system, and it is expected to play a key role in the future of international relations.

2.8. The Council's role in the 21st century. The Council is facing new challenges in the 21st century, and it is expected to continue to play a key role in the maintenance of international peace and security.

2.9. The Council's role in the 21st century. The Council is facing new challenges in the 21st century, and it is expected to continue to play a key role in the maintenance of international peace and security.

2.10. The Council's role in the 21st century. The Council is facing new challenges in the 21st century, and it is expected to continue to play a key role in the maintenance of international peace and security.

2.11. The Council's role in the 21st century. The Council is facing new challenges in the 21st century, and it is expected to continue to play a key role in the maintenance of international peace and security.

2.12. The Council's role in the 21st century. The Council is facing new challenges in the 21st century, and it is expected to continue to play a key role in the maintenance of international peace and security.

2.13. The Council's role in the 21st century. The Council is facing new challenges in the 21st century, and it is expected to continue to play a key role in the maintenance of international peace and security.

2.14. The Council's role in the 21st century. The Council is facing new challenges in the 21st century, and it is expected to continue to play a key role in the maintenance of international peace and security.

. 100th Annual Report, Commissioner of Internal Revenue. Report for the fiscal year ended June, 1962.

Books

- Ackerman, Laurence J. Fundamentals of Federal Old Age and Survivors Insurance. Rev. ed. Philadelphia: American College of Life Underwriters, 1951.
- Arron, Benjamin. Legal Status of Employee Benefit Rights Under Private Pension Plans. Homewood, Ill.: Richard D. Irwin, 1961.
- Beigel, Herman C. and Others. Pensions and Profit Sharing. Washington: BNA, Inc., 1956.
- Bogen, Jules I. (ed.) Financial Handbook. New York: The Ronald Press Co., 1962.
- Brower, F. Beatrice (ed.) Company Pension Plans and the Social Security Act, A Report. New York: National Industrial Conference Board, 1959.
- . Retirement of Employees. (Studies in Personnel Policy, No. 148) New York: National Industrial Conference Board, 1955.
- . Pension Plans and Their Administration. (Studies in Personnel Policy No. 149) New York: National Industrial Conference Board, 1955.
- Butler, Arthur D. Labor Economics and Institutions. New York: The MacMillan Co., 1961.
- Chamberlain, Neil W. (ed.) Sourcebook on Labor. New York: McGraw-Hill Book Co., 1958.
- Corbett, Richmond M. Pension Trends and the Self-Employed. New Brunswick, N.J.: Rutgers University Press, 1961.
- Cowan, Paul C. Association Retirement Plans. Washington: Chamber of Commerce of the U.S., 1962.
- Dearing, Charles L. Industrial Pensions. Washington: The Brookings Institution, 1954.
- Derber, Milton (ed.) The Aged and Society. Champaign, Ill.: Industrial Research Assn., 1960.
- Hamilton, James A. and Bronson, Dorrance C. Pensions. New York: McGraw-Hill Book Co., 1958.
- Harbrecht, Paul P. Pension Funds and Economic Power. New York: 20th Century Fund, 1959.
- Jones, Harry W. (ed.) Economic Security for Americans. final ed. New York: The American Assembly, 1954.

1968 Annual Report, Commission of Internal Security
The Annual Report, 1968.

Index

1968 Annual Report, Commission of Internal Security
The Annual Report, 1968.

1968 Annual Report, Commission of Internal Security
The Annual Report, 1968.

1968 Annual Report, Commission of Internal Security
The Annual Report, 1968.

1968 Annual Report, Commission of Internal Security
The Annual Report, 1968.

1968 Annual Report, Commission of Internal Security
The Annual Report, 1968.

1968 Annual Report, Commission of Internal Security
The Annual Report, 1968.

1968 Annual Report, Commission of Internal Security
The Annual Report, 1968.

1968 Annual Report, Commission of Internal Security
The Annual Report, 1968.

1968 Annual Report, Commission of Internal Security
The Annual Report, 1968.

1968 Annual Report, Commission of Internal Security
The Annual Report, 1968.

1968 Annual Report, Commission of Internal Security
The Annual Report, 1968.

1968 Annual Report, Commission of Internal Security
The Annual Report, 1968.

1968 Annual Report, Commission of Internal Security
The Annual Report, 1968.

1968 Annual Report, Commission of Internal Security
The Annual Report, 1968.

1968 Annual Report, Commission of Internal Security
The Annual Report, 1968.

1968 Annual Report, Commission of Internal Security
The Annual Report, 1968.

- Latimer, Murray W. Industrial Pension Systems in the United States and Canada. 2 vols. New York: Industrial Relations Counselors, 1932.
- Marting, Elizabeth (ed.) Controlling Employee Benefit and Pension Costs. (Special Report No. 23) New York: American Management Association, 1957.
- McGill, Dan M. Fundamentals of Private Pensions. Homewood, Ill.: Richard D. Irwin, 1955.
- _____. Pensions: Problems and Trends. Homewood, Ill.: Richard D. Irwin, 1955.
- _____. Fulfilling Pensions Expectations, Homewood, Ill.: Richard D. Irwin, 1962.
- McNulty, James E. Decision and Influence Processes in Private Pension Plans. Homewood, Ill.: Richard D. Irwin, 1961.
- Myers, Charles A. (ed.) Wages Prices Profits and Productivity. New York: The American Assembly, 1959.
- Patterson, Edwin W. Legal Protection of Private Pension Expectations. Homewood, Ill.: Richard D. Irwin, 1960.
- Rauschenbush, Stephen. Pensions in our Economy. Washington: Public Affairs Institute, 1955.
- Romm, Elliot. Pension Planning: A Data Book. New York: American Management Assn., 1960.
- Slicher, Sumner H., Healy, James J., and Livernash, Robert E. The Impact of Collective Bargaining on Management. The Brookings Institution, 1960.
- Tilove, Robert. Pension Funds and Economic Freedom. New York: The Fund for the Republic, 1959.

Articles and Periodicals

- Ackerman, Laurence J., and McKain, Walter C. "Retirement Programs for Industrial Workers," Harvard Business Review, Vol. 30, No. 4, (July/August, 1952), pp. 97-104.
- Andrews, Victor L. "Pension Funds in the Security Markets," Harvard Business Review, Vol. 37, No. 6, (November/December, 1959), pp. 90-102.
- _____. "Interests at Stake in the Investment of Pension Funds," Monthly Labor Review, Vol. 82, (July 1959), pp. 751-756.
- Brandow, R. H. "Trends in Retirement Plans," Public Utilities Fortnightly, Vol. 70, (December 20, 1962), pp. 894-900.

Brooks, T. R. "Managing Your Manpower; New Look At Pensions," Duns Review, Vol. 79, (May, 1962), pp. 85-86.

_____. "Pension Plans Can Cause Unexpected Problems for Company Managements," Duns Review, Vol. 80, (September, 1962), pp. 63-65.

Business Week. Various issues.

Cohen, Wilbur J. Cohen, and Kent, Donald P. "New Horizons for the Aged," Health, Education, and Welfare Indicators, (January, 1963), pp. 5-17.

Davis, Ralph E. "Recent Changes in Negotiated Pension Plans," Monthly Labor Review, (May, 1962), pp. 528-532.

Gordon, Edward M. "The Finances of Welfare and Pension Plans During 1959," Monthly Labor Review, (September, 1961), pp. 10-14.

Gray, Frank W. "Still No Pension Plan?" Administrative Management, Vol. 22, No. 12, (December, 1961), pp. 36-40.

Hemminger, Ralph W. "Why the New Trends in Pension Plans?" Management Methods, Vol. 18, No. 4, (July, 1960), p. 37.

Holland, Danies M. "What Can We Expect from Pensions," Harvard Business Review, Vol. 37, No. 4, (July/August, 1959), pp. 125-140.

Kester, Henry I., and Wolf, Harold A. "Pension Funds: Creator of Labor Obsolescence?" Business Horizons, Vol. 3, No. 3, (Fall, 1960), pp. 70-76.

Kolodrubetz, Walter W. "Characteristics of Pension Plans," Monthly Labor Review, (August, 1958), pp. 845-853.

Levin, H. L. "Early and Disability Retirement Under Collective Bargaining," Monthly Labor Review, Vol. 83, (November, 1960), pp. 1176-1183.

Otis, Henry W. "Comparing Pension Costs," Harvard Business Review, Vol. 35, (July/August, 1957), pp. 58-66.

Personnel Management. Various Issues.

Rothman, David C. "Pension and Profit-Sharing Plans," The Journal of Accountancy, Vol. 112, No. 6, (December, 1961), pp. 47-53.

Simms, Clifford R. "Current Pension Problems and Inflation," The Controller, Vol. 28, No. 4, (April, 1960), pp. 157 ff.

Skolnik, Alfred M., and Zisman, Joseph. "Growth in Employee-Benefit Plans, 1954-57," Social Security Bulletin, Vol. 22, (March, 1959), pp. 4-14.

Skolnik, Alfred M. "Growth of Employee-Benefit Plans, 1954-61," Social Security Bulletin, Vol. 26, No. 4, (April, 1963), pp. 4-17.

1. General. The purpose of this study is to determine the effect of the various factors on the rate of the reaction. (1950, pp. 1-10)

2. Materials. The materials used in this study are: (1) Reactants: 1.0 mole of A, 1.0 mole of B. (2) Products: 1.0 mole of C, 1.0 mole of D. (1950, pp. 11-15)

3. Procedure. The procedure used in this study is as follows: (1) Preparation of Reactants: 1.0 mole of A and 1.0 mole of B are weighed and placed in a 1-liter flask. (2) Reaction: The flask is sealed and placed in a water bath at 25°C. (1950, pp. 16-20)

4. Results. The results of the study are as follows: (1) Rate of Reaction: The rate of reaction is found to be first order with respect to A and first order with respect to B. (2) Activation Energy: The activation energy is found to be 15.0 kJ/mol. (1950, pp. 21-25)

5. Conclusions. The conclusions of the study are as follows: (1) Rate of Reaction: The rate of reaction is first order with respect to A and first order with respect to B. (2) Activation Energy: The activation energy is 15.0 kJ/mol. (1950, pp. 26-30)

6. References. The references cited in this study are: (1) Textbook: General Chemistry, 10th ed., H. S. G. (1950, pp. 1-10). (2) Journal: J. Chem. Phys., 18, 1-10 (1950).

7. Appendix. The appendix contains the following: (1) Table 1: Data for the rate of reaction. (2) Table 2: Data for the activation energy. (1950, pp. 31-35)

8. Index. The index contains the following: (1) Reactants: A, B. (2) Products: C, D. (3) Rate of Reaction. (1950, pp. 36-40)

9. Summary. The summary of the study is as follows: (1) Rate of Reaction: The rate of reaction is first order with respect to A and first order with respect to B. (2) Activation Energy: The activation energy is 15.0 kJ/mol. (1950, pp. 41-45)

10. Notes. The notes contain the following: (1) General: The purpose of this study is to determine the effect of the various factors on the rate of the reaction. (2) Materials: The materials used in this study are: (1) Reactants: 1.0 mole of A, 1.0 mole of B. (2) Products: 1.0 mole of C, 1.0 mole of D. (1950, pp. 46-50)

11. References. The references cited in this study are: (1) Textbook: General Chemistry, 10th ed., H. S. G. (1950, pp. 1-10). (2) Journal: J. Chem. Phys., 18, 1-10 (1950).

12. Appendix. The appendix contains the following: (1) Table 1: Data for the rate of reaction. (2) Table 2: Data for the activation energy. (1950, pp. 51-55)

13. Index. The index contains the following: (1) Reactants: A, B. (2) Products: C, D. (3) Rate of Reaction. (1950, pp. 56-60)

14. Summary. The summary of the study is as follows: (1) Rate of Reaction: The rate of reaction is first order with respect to A and first order with respect to B. (2) Activation Energy: The activation energy is 15.0 kJ/mol. (1950, pp. 61-65)

15. Notes. The notes contain the following: (1) General: The purpose of this study is to determine the effect of the various factors on the rate of the reaction. (2) Materials: The materials used in this study are: (1) Reactants: 1.0 mole of A, 1.0 mole of B. (2) Products: 1.0 mole of C, 1.0 mole of D. (1950, pp. 66-70)

16. References. The references cited in this study are: (1) Textbook: General Chemistry, 10th ed., H. S. G. (1950, pp. 1-10). (2) Journal: J. Chem. Phys., 18, 1-10 (1950).

17. Appendix. The appendix contains the following: (1) Table 1: Data for the rate of reaction. (2) Table 2: Data for the activation energy. (1950, pp. 71-75)

18. Index. The index contains the following: (1) Reactants: A, B. (2) Products: C, D. (3) Rate of Reaction. (1950, pp. 76-80)

Tilove, Robert. "Social and Economic Implications of Private Pensions," Industrial and Labor Relations Review, Vol. 14, No. 1, (October, 1960), pp. 24-34.

U.S. News and World Report. Various Issues.

The Wall Street Journal. Various Issues.

Reports

Bankers Trust Company. 1960 Study of Industrial Retirement Plans. New York: Bankers Trust Company, 1960.

Chamber of Commerce of the United States. Fringe Benefits 1961. A Report prepared by the Economic Research Department. Washington: Chamber of Commerce of U.S., 1962.

Connecticut General Life Insurance Company. Facts and Trends. An Analysis of 900 Group Pension Plans. Hartford: Connecticut General Life Insurance Co., 1962.

National Airlines. Your Cost of Living Pension Plan. A booklet prepared for distribution to company employees. Miami: National Airlines, 1957.

National Association of Manufacturers. Retirement Security in a Free Society. A Report prepared by the Industrial Relations Department, Policy Committee Division. New York: National Association of Manufacturers, 1954.

_____. The Productive Years: Age 45-65. A Guide for Employers in Making the Best Use of the Older Work Force. New York: National Association of Manufacturers, 1961.

_____. A Report on Employment of Mature Workers. New York: National Association of Manufacturers, 1960.

New York State Banking Department. Pensions and Other Employee Welfare Plans; a Survey of Funds Held by State and National Banks in New York State. New York: State of New York, 1955.

Prentice-Hall, Inc. Prentice-Hall Pension and Profit Sharing Service. A Looseleaf Management Service. New York: Prentice-Hall, Inc., Current.

Research Analysis Corporation. Retirement Income Plan. A booklet prepared for distribution to company employees. Bethesda, Md.: Research Analysis Corporation, March 1, 1963.

United Aircraft Corporation. Retirement-Income Plans. A booklet prepared for distribution to company employees. East Hartford, Conn.: United Aircraft Corporation, 1960.

1. Industrial and Economic Development in Africa.
Industrial and Economic Development, Vol. 1, No. 1, (October, 1960),
pp. 1-10.

2. Trade and Development. Various Issues.

3. Trade and Development. Various Issues.

Books

4. Trade and Development. Various Issues. New York:
Trade and Development, 1960.

5. Trade and Development. Various Issues. A report pre-
pared for the Economic Commission for Africa, Addis Ababa, 1960.
Copyright of E.C.A.F., 1960.

6. Trade and Development. Various Issues. An analysis of
the trade situation in Africa. Addis Ababa, 1960.
Copyright of E.C.A.F., 1960.

7. Trade and Development. Various Issues. A report prepared for
the Economic Commission for Africa, Addis Ababa, 1960.

8. Trade and Development. Various Issues. A report prepared for
the Economic Commission for Africa, Addis Ababa, 1960.
Copyright of E.C.A.F., 1960.

9. Trade and Development. Various Issues. A report prepared for
the Economic Commission for Africa, Addis Ababa, 1960.
Copyright of E.C.A.F., 1960.

10. Trade and Development. Various Issues. A report prepared for
the Economic Commission for Africa, Addis Ababa, 1960.

11. Trade and Development. Various Issues. A report prepared for
the Economic Commission for Africa, Addis Ababa, 1960.

12. Trade and Development. Various Issues. A report prepared for
the Economic Commission for Africa, Addis Ababa, 1960.

13. Trade and Development. Various Issues. A report prepared for
the Economic Commission for Africa, Addis Ababa, 1960.

14. Trade and Development. Various Issues. A report prepared for
the Economic Commission for Africa, Addis Ababa, 1960.

Unpublished Material

U.S. Department of Labor, "Characteristics of 127,657 Welfare and Pension Benefit Plans." A Survey prepared in the Division of Welfare and Pension Reports, May 1, 1960. (Mimeographed.)

_____. "Selected Financial Data for 118,660 Welfare and Pension Benefit Plans, 1959." A survey prepared in the Division of Welfare and Pension Reports, July, 1961. (Mimeographed.)

_____. "Prevalence and Characteristics of Unfunded Pension Plans." Preliminary Release, January, 1963. (Mimeographed.)

U.S. Securities and Exchange Commission. "Corporate Pension Funds, 1961." Release No. 1828 with Supplementary Tables, May, 1962. (Mimeographed.)

Other Sources

Bankers Trust Company, Letter from Charles E. Selinske, Asst. Secretary, Bankers Trust Company, New York. March 12, 1963.

Connecticut General Life Insurance Company. Letter from Thomas S. Smith, District Group Pension Manager, Connecticut General Life Insurance Company, Baltimore Group Pension Office. March 6, 1963.

Hohaus, R. A. "Retirement Income Protection: Private Responsibility? Public Responsibility?" An address before the 43rd Mid-Winter Trust Conference, American Bankers Association, New York, February 6, 1962.

Lockton, John D. "Professional Management of Pension Fund Investments." Paper presented at the 15th Annual Fall Conference, Council on Employee Benefits, New York, October 27, 1961.

Peterson, Ray M. "People, Pensions, and Production." Paper presented at the 11th Annual Southwestern Economics Forum, University of Southwestern, Louisiana, Lafayette, Louisiana, March 7, 1962.

United Aircraft Corporation. Letter from E. A. Leroux, Asst. to the Treasurer, United Aircraft Corporation, East Hartford, Conn. March 29, 1963.

APPENDIX B

1. The following is a list of the names of the persons who have been appointed to the various positions in the Department of the Interior, for the year ending June 30, 1901.

2. The following is a list of the names of the persons who have been appointed to the various positions in the Department of the Interior, for the year ending June 30, 1901.

3. The following is a list of the names of the persons who have been appointed to the various positions in the Department of the Interior, for the year ending June 30, 1901.

4. The following is a list of the names of the persons who have been appointed to the various positions in the Department of the Interior, for the year ending June 30, 1901.

5. The following is a list of the names of the persons who have been appointed to the various positions in the Department of the Interior, for the year ending June 30, 1901.

6. The following is a list of the names of the persons who have been appointed to the various positions in the Department of the Interior, for the year ending June 30, 1901.

7. The following is a list of the names of the persons who have been appointed to the various positions in the Department of the Interior, for the year ending June 30, 1901.

8. The following is a list of the names of the persons who have been appointed to the various positions in the Department of the Interior, for the year ending June 30, 1901.

9. The following is a list of the names of the persons who have been appointed to the various positions in the Department of the Interior, for the year ending June 30, 1901.

10. The following is a list of the names of the persons who have been appointed to the various positions in the Department of the Interior, for the year ending June 30, 1901.



thesW455

Private pension plans.



3 2768 001 94998 5

DUDLEY KNOX LIBRARY